



State of Montana 401(a) Defined Contribution Plan

December 31, 2007

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Market Environment Investment Performance Analysis

December 31, 2007

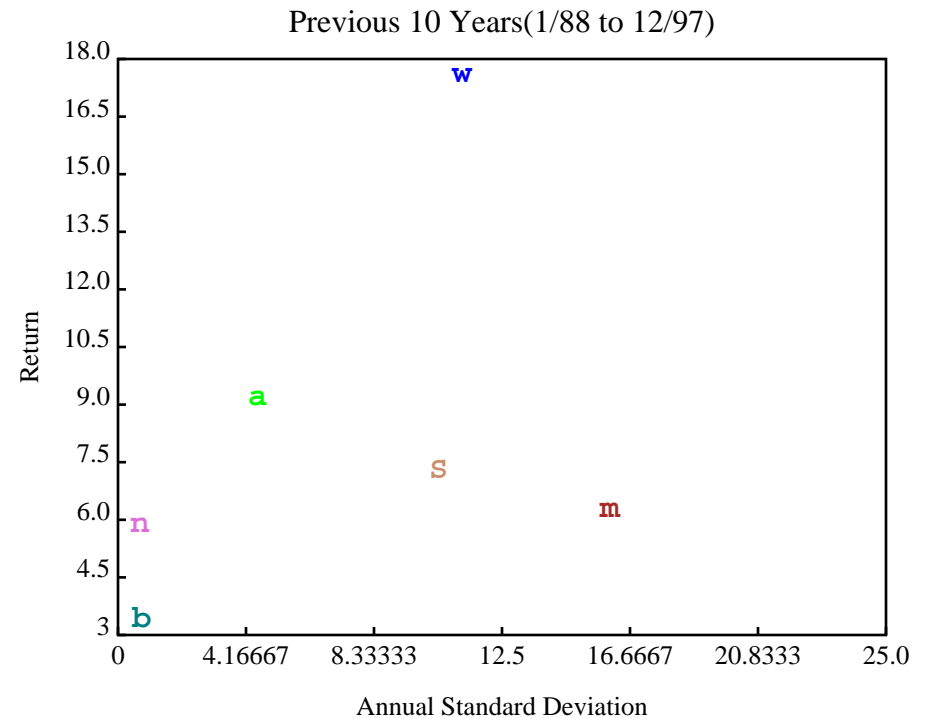
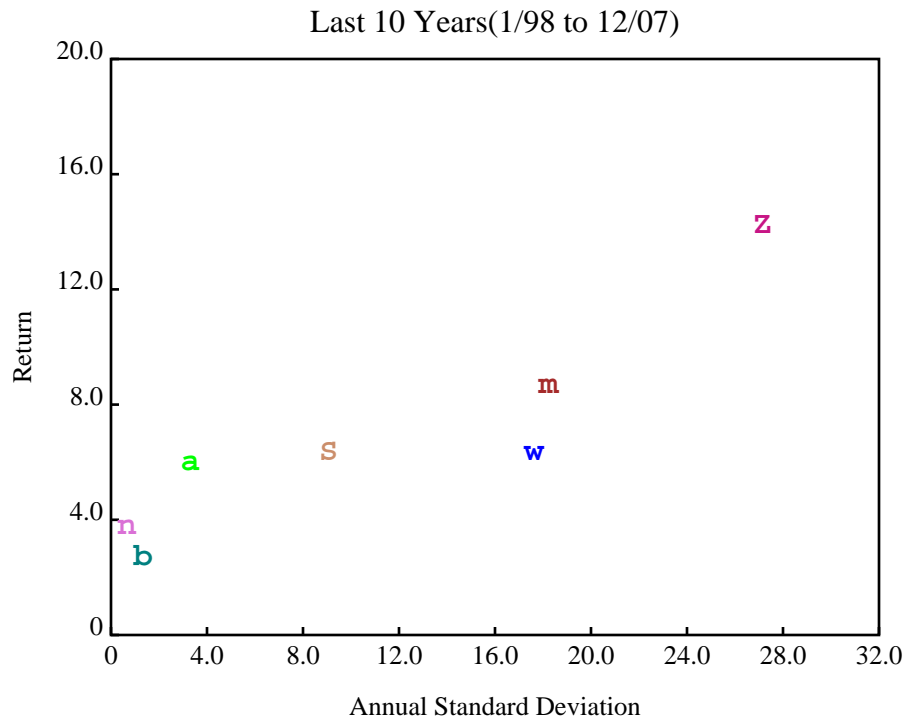


Market Environment

Overview of Major Asset Classes

As of 12/31/07

Indices	Legend	Returns							10 Year Std Dev
		Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs	
U.S. Equity (DJ Wilshire 5000)	w	-3.22	5.62	5.62	9.16	14.01	6.31	11.80	17.84
U.S. Bonds (Lehman Aggregate)	a	3.00	6.96	6.96	4.56	4.42	5.97	7.56	3.53
Non U.S. Equity (ACWI X US Net)	x	-0.66	16.65	16.65	19.88	24.01	--	--	--
Developed Equity (EAFE Net)	m	-1.75	11.17	11.17	16.83	21.58	8.66	7.45	18.45
Emerging Equity (Emg Mkts Net)	z	3.64	39.38	39.38	35.15	37.02	14.21	--	27.37
Intl Bonds (Citi Non-US Gov)	s	3.91	11.45	11.45	2.67	7.54	6.30	6.78	9.28
Treasury Bills (91 Day)	n	1.07	5.03	5.03	4.30	3.06	3.75	4.80	0.88
Consumer Price Index	b	0.73	4.06	4.06	3.34	3.03	2.67	3.04	1.54



Market Environment U.S. Common Stocks As of 12/31/07



	Returns						
	Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs
Indices							
Standard & Poor's 500	-3.33	5.54	5.54	8.63	12.84	5.92	11.82
DJ Wilshire 5000	-3.22	5.62	5.62	9.16	14.01	6.31	11.80
DJ Wilshire 4500	-3.28	5.39	5.39	10.16	17.83	7.69	11.93
DJ Wilshire US Large Cap	-2.90	6.40	6.40	9.37	13.49	6.14	11.81
DJ Wilshire US Small Cap	-4.91	1.90	1.90	8.58	17.90	8.53	12.39
DJ Wilshire Real Est. Secs	-13.68	-17.66	-17.66	8.34	18.64	10.78	9.92
Styles							
DJ Wilshire US Large Growth	-0.61	10.97	10.97	9.05	12.62	4.30	10.85
DJ Wilshire US Large Value	-5.31	1.84	1.84	9.49	14.23	7.56	12.40
DJ Wilshire US Small Growth	-3.53	8.05	8.05	10.48	19.38	6.07	10.68
DJ Wilshire US Small Value	-6.36	-4.13	-4.13	6.61	16.31	10.07	13.63
Sectors (DJ Wilshire 5000)							
Consumer Discretionary	-10.73	-11.82	-11.82	-0.39	9.71	--	--
Consumer Staples	3.38	14.25	14.25	11.07	11.44	--	--
Energy	4.69	33.08	33.08	29.56	29.53	--	--
Financials	-12.14	-16.60	-16.60	1.89	9.76	--	--
Health Care	-0.31	6.97	6.97	7.32	9.45	--	--
Industrials	-3.81	12.79	12.79	10.98	16.62	--	--
Information Technology	-0.76	14.69	14.69	8.80	14.58	--	--
Materials	0.95	26.40	26.40	16.53	20.82	--	--
Telecommunication Services	-6.80	8.41	8.41	13.22	13.69	--	--
Utilities	6.58	17.58	17.58	18.11	21.03	--	--

Index Definitions

DJ Wilshire 5000: All publicly traded U.S. corporations

DJ Wilshire 4500: All DJ Wilshire 5000 companies excluding large S&P500 companies

DJ Wilshire US Large Cap: Largest 750 publicly traded companies

DJ Wilshire US Small Cap: Companies ranking between 750 and 2500 by market capitalization

Style Definitions (Wilshire Style Indices)

Large Co: Largest 750 companies in the DJ Wilshire 5000

Small Co: Next 1750 companies in the DJ Wilshire 5000

Value: Relatively low P/E and P/B ratios

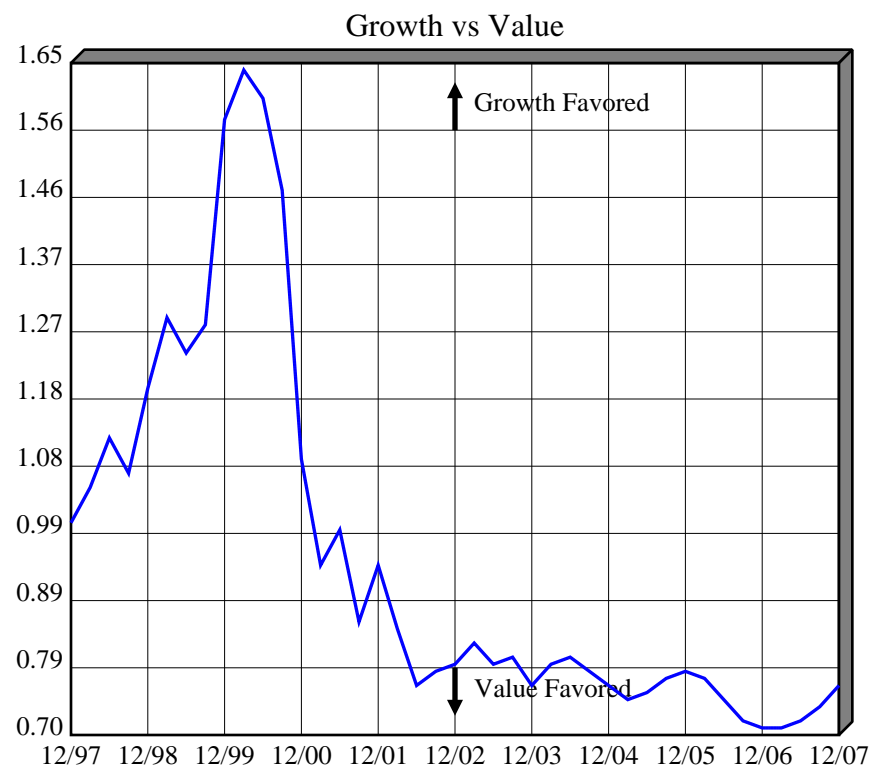
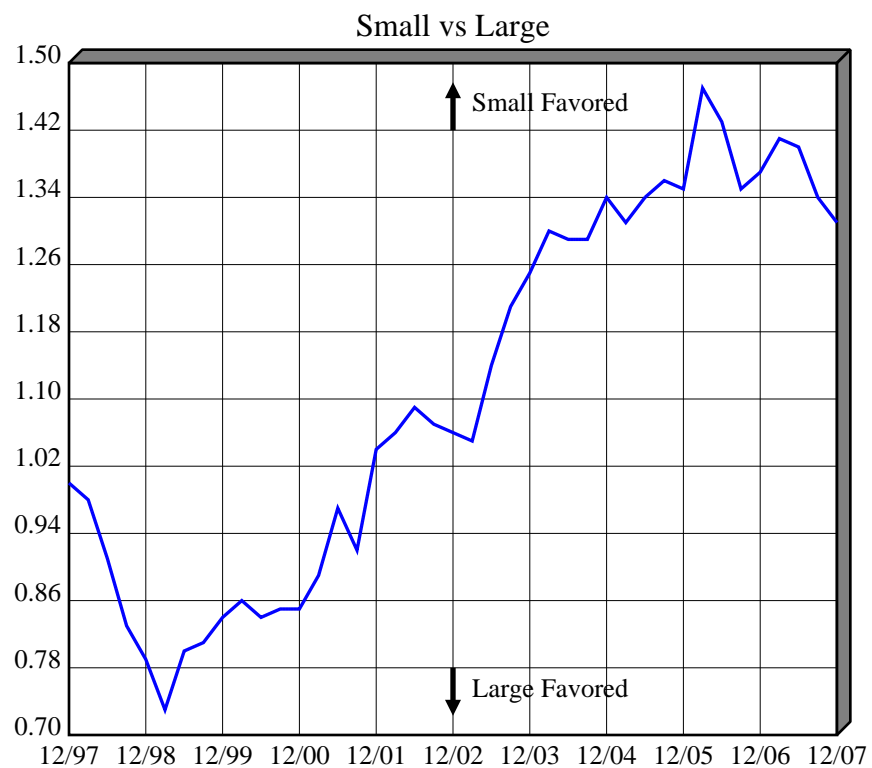
Growth: Relatively high P/E and P/B ratios



Market Environment

U.S. Common Stocks

Relative Return
As of 12/31/07



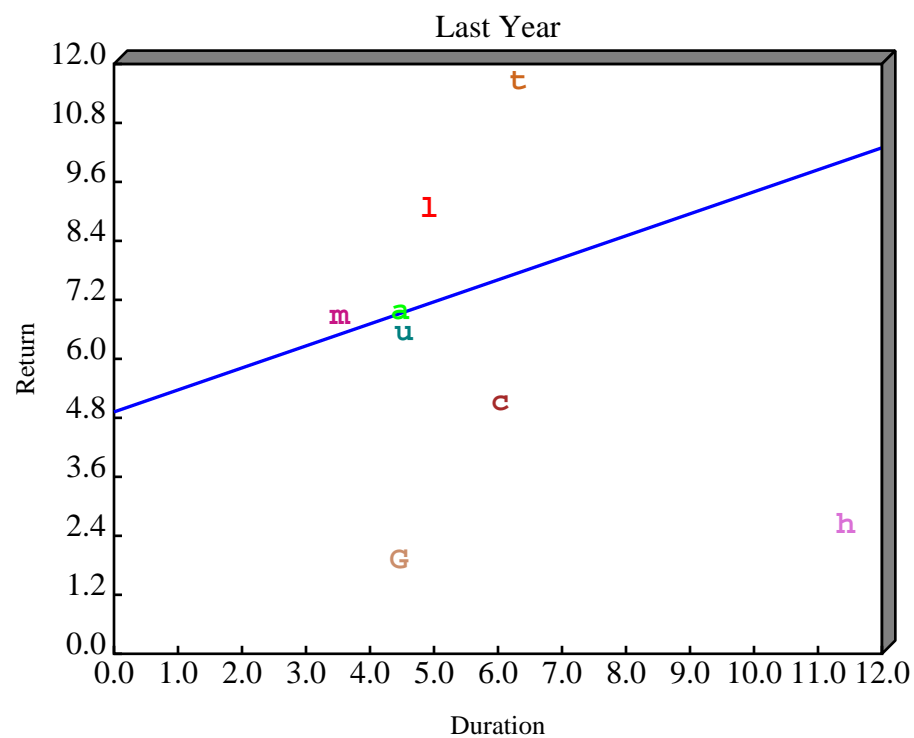
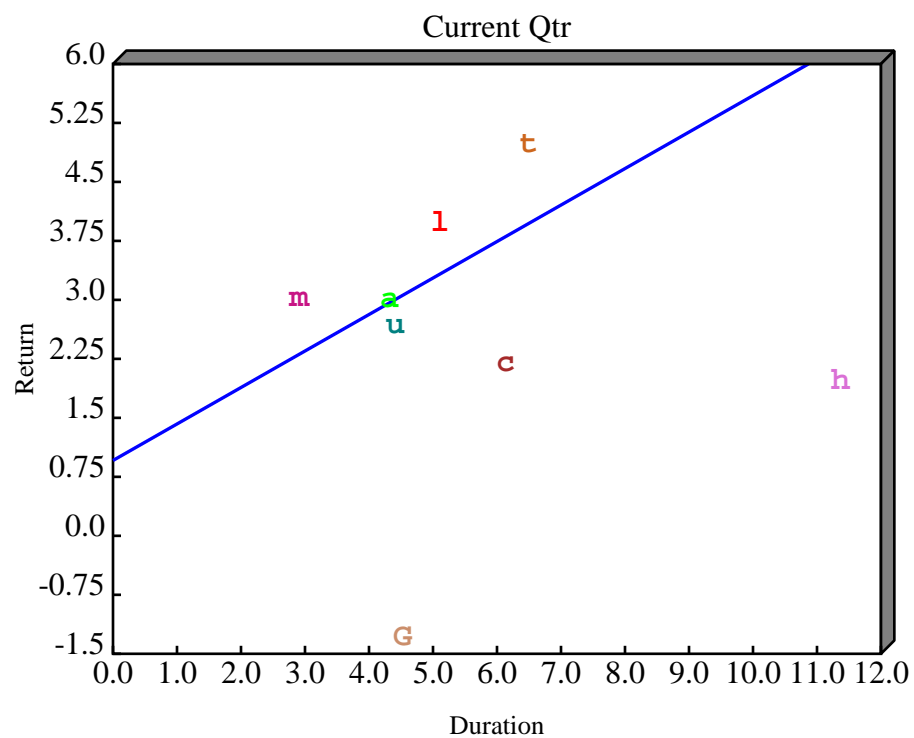
Based on DJ Wilshire Style Indices

Market Environment

U.S. Fixed Income Indices

As of 12/31/07

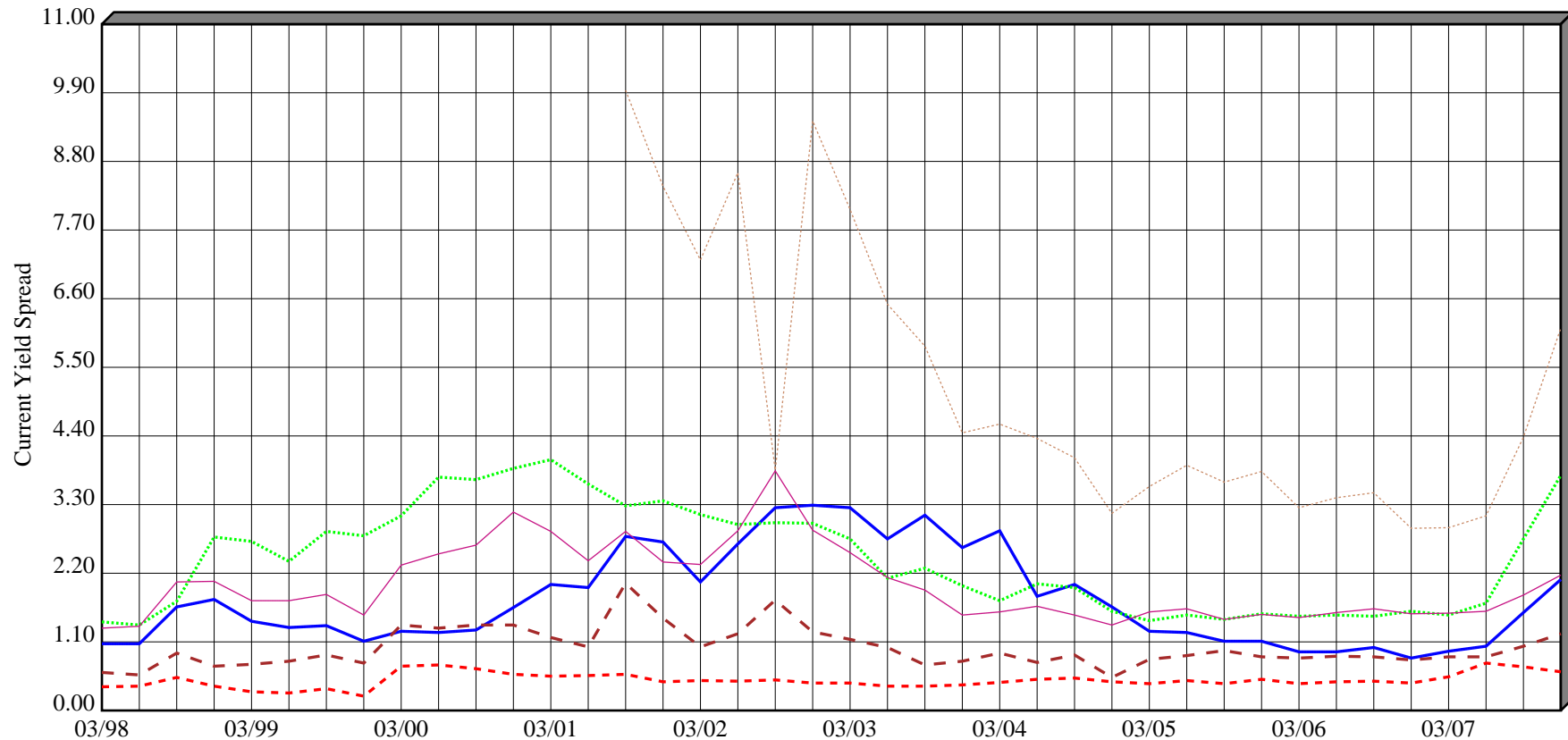
Indices	Legend	Returns							Characteristics (Current Qtr)		
		Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs	Eff Maturity	Eff Duration	Yld to Mat
Lehman Aggregate	a	3.00	6.96	6.96	4.56	4.42	5.97	7.56	7.05	4.41	4.90
Lehman Treasury	l	3.97	9.03	9.03	4.92	4.11	5.92	7.38	7.05	5.19	3.59
Lehman Credit (Corporate)	c	2.18	5.10	5.10	3.76	4.84	6.05	7.97	10.16	6.22	5.60
Lehman Mortgage	m	3.01	6.86	6.86	4.89	4.48	5.90	7.59	5.74	2.99	5.36
Lehman High Yield	G	-1.30	1.88	1.88	5.40	10.91	5.49	8.53	7.49	4.61	9.64
Citigroup High Grade	h	1.96	2.60	2.60	3.91	5.03	6.81	8.81	23.23	11.45	6.02
Lehman Universal	u	2.67	6.52	6.52	4.73	4.99	6.08	--	7.24	4.49	5.23
Lehman Bros U.S. TIPS	t	4.97	11.63	11.63	4.85	6.27	7.49	--	9.29	6.57	5.10



Market Environment

U.S. Fixed Income Markets

Historical Spread Comparison to Treasuries As of 12/31/07



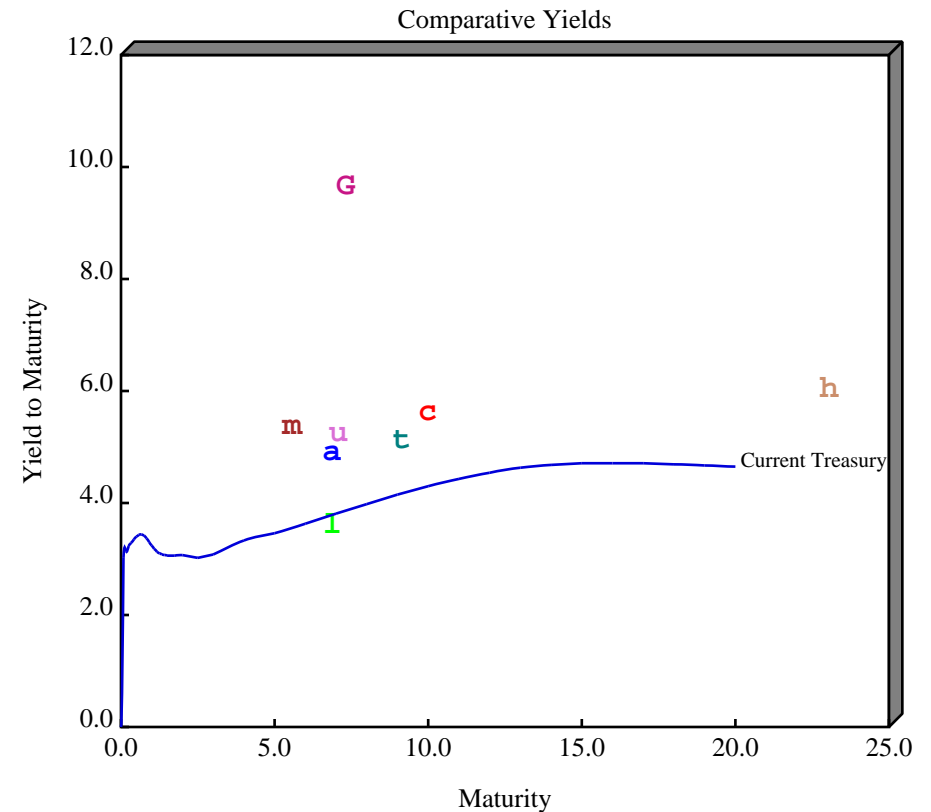
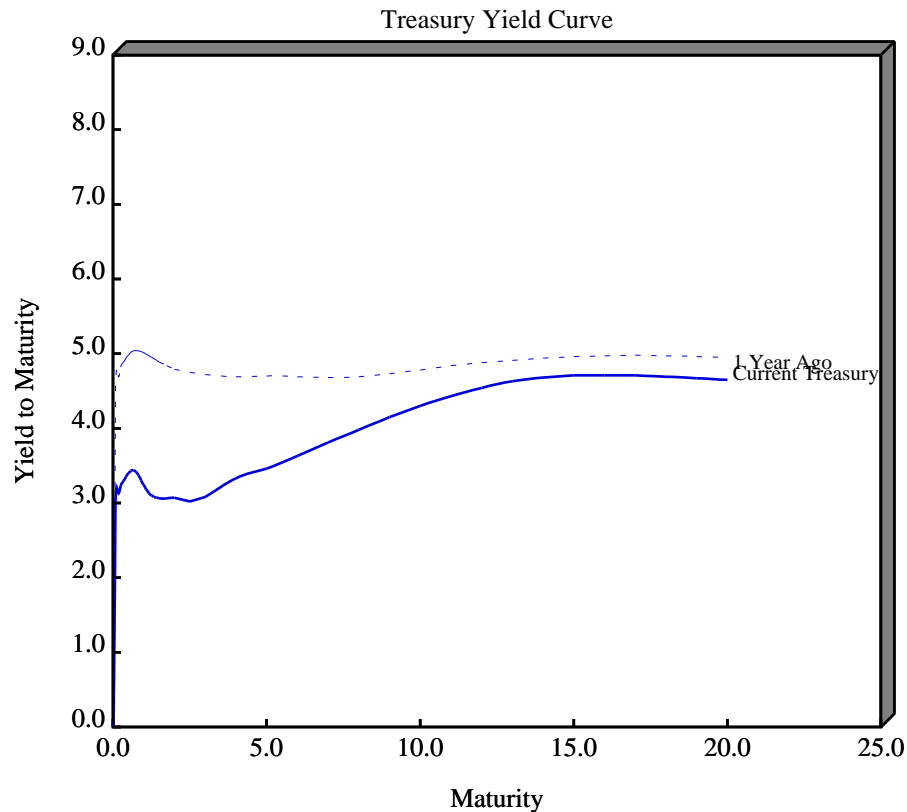
Description	Legend	Current Qtr Spread	Median Spread (10 Years)
Leh Mortgage	—	2.10	1.61
GIC's 5 Year	...	3.77	2.33
Leh Long Agencies	- - -	0.62	0.47
Leh AAA Long Corp	- - -	1.23	0.89
Leh BAA Long Corp	—	2.17	1.80
Leh High Yield	...	6.13	NA



Market Environment

U.S. Fixed Income Markets

Yield Spread To Treasuries As of 12/31/07



Description	Legend	Eff Maturity	Yield to Mat
Lehman Aggregate	a	7.05	4.90
Lehman Treasury	l	7.05	3.59
Lehman Credit	c	10.16	5.60
Lehman Mortgage	m	5.74	5.36
Lehman High Yield	G	7.49	9.64
Citigroup High Grade	h	23.23	6.02
Lehman Universal	u	7.24	5.23
Lehman Bros. U.S. TIPS	t	9.29	5.10

Market Environment International Markets As of 12/31/07



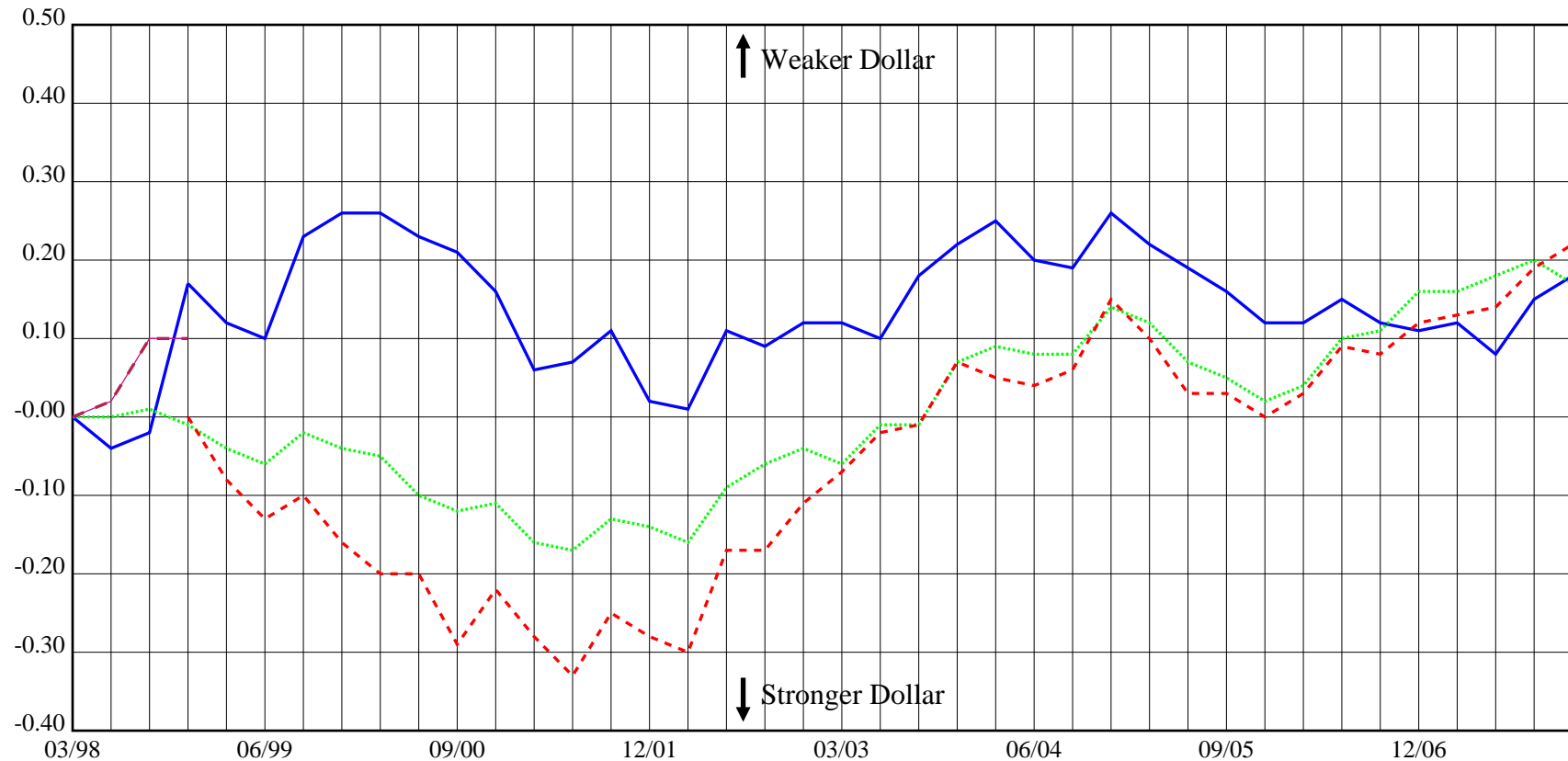
	Returns							10 Year Std Dev
	Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs	
Equity(in U.S. dollars)								
U.S. (S & P 500)	-3.33	5.54	5.54	8.63	12.84	5.92	11.82	16.84
Non U.S. (ACWI X U.S.) Net	-0.66	16.65	16.65	19.88	24.01	--	--	--
Developed (EAFE) Net	-1.75	11.17	11.17	16.83	21.58	8.66	7.45	18.45
Emerging (Emg Mkts) Net	3.64	39.38	39.38	35.15	37.02	14.21	--	27.37
Europe	-0.46	13.86	13.86	18.54	22.78	9.55	11.77	20.03
Pacific	-4.63	5.29	5.29	13.15	19.01	6.83	2.72	19.77
France	0.70	13.24	13.24	18.72	22.69	11.53	12.39	23.37
Germany	5.09	35.20	35.20	26.43	30.91	9.78	11.75	28.49
Japan	-6.08	-4.23	-4.23	8.49	15.00	4.50	0.73	21.45
United Kingdom	-2.39	8.36	8.36	14.96	19.13	7.43	10.64	16.26
Equity(in local currency)								
Non U.S. (ACWI X US) Net	-1.75	8.53	8.53	18.42	18.18	--	--	--
Developed (EAFE) Net	-2.96	3.54	3.54	15.86	16.08	6.12	6.74	18.15
Emerging (Emg Mkts) Net	2.87	33.17	33.17	32.27	31.49	--	--	--
Europe	-1.47	6.04	6.04	16.40	16.22	6.89	11.27	20.26
Pacific	-6.31	-1.69	-1.69	14.65	15.89	4.76	2.14	16.81
France	-2.05	2.13	2.13	15.87	14.81	8.30	11.41	24.28
Germany	2.22	21.94	21.94	23.39	22.51	6.78	10.93	28.59
Japan	-8.77	-10.21	-10.21	11.66	13.61	2.92	0.31	18.64
United Kingdom	-0.10	6.54	6.54	13.58	14.17	5.41	10.30	15.31
% Change in Exchange Rates								
Euro vs Dollar	2.81	10.87	10.87	2.46	6.86	--	--	--
Yen vs Dollar	2.95	6.66	6.66	-2.84	1.22	1.53	0.42	11.72
Pound vs Dollar	-2.29	1.71	1.71	1.21	4.34	1.93	0.27	6.71
International Fixed Income								
Citigroup Non-US Bond	3.91	11.45	11.45	2.67	7.54	6.30	6.78	9.28
Citigroup World Bond	3.92	10.95	10.95	3.12	6.82	6.32	7.10	7.58
Citigroup Non-US Hedged	1.94	4.88	4.88	4.55	4.14	5.72	7.07	2.87
Lehman Global Aggregate	3.26	9.48	9.48	3.71	6.52	6.09	--	5.99



Market Environment

U.S. Dollar Cost of Foreign Currencies

As of 12/31/07



Description	Legend
Japanese Yen	—
U.K. Pound
Euro	- - - -
[German Mark]	- . - .
[French Franc]	—

State of Montana 401(a) Defined Contribution Plan
December 31, 2007

FUND OVERVIEW FOR STATE OF MONTANA 401(a) DEFINED CONTRIBUTION PLAN

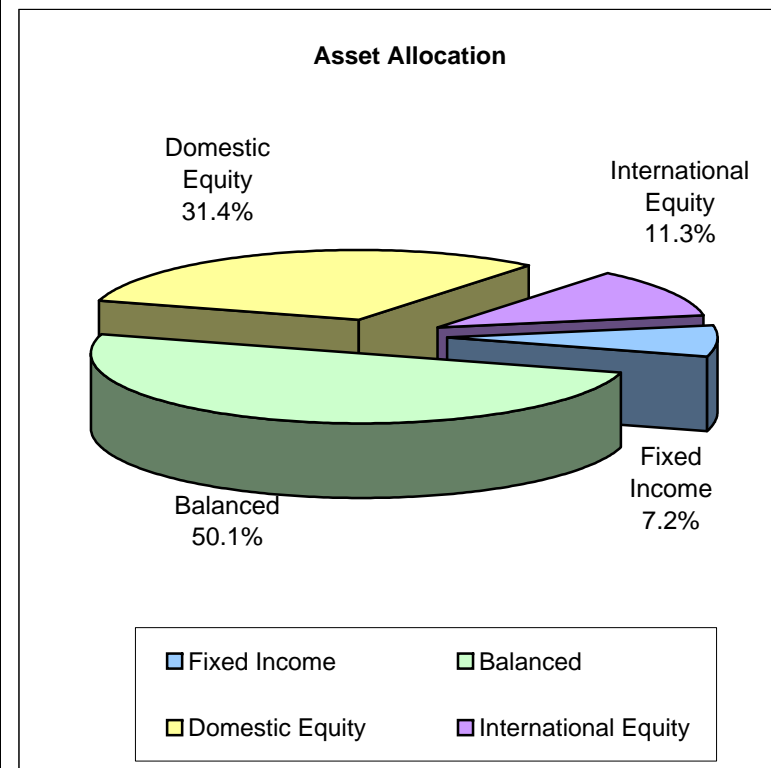
Asset Class	Name	Ticker	Recommendation
Fixed Income	State of Montana Stable Value - PIMCO Fixed Fund	n/a	Retain
Fixed Income	Vanguard Total Bond Market Signal	VBTSX	Retain
Balanced	Vanguard Balanced Index Institutional	VBAIX	Retain
Large Cap Value	Vanguard Equity Income Admiral	VEIRX	Retain
Large Cap Core	Vanguard Growth & Income Admiral	VGIAX	Retain
Large Cap Growth	American Funds Growth Fund of America A	AGTHX	Retain
Large Cap Core	Barclays Global Investors - Equity Index	WFSPX	Retain
Mid Cap Value	Janus Mid Cap Value Inv	JMCVX	Retain
Mid Cap Growth	Munder Mid Cap Core Growth A	MGOAX	Retain
Small Cap Growth	Managers AMG Essex Small/Micro Growth	MBRSX	Retain
Small Cap Value	Hotchkis & Wiley Small Cap Value A	HWSAX	Terminated
Small Cap Core	Vanguard Small Cap Index Signal	VSISX	Retain
Global	American Funds New Perspective Fund A	ANWPX	Retain
International	Oakmark International I	OAKIX	Probation
International	SSgA International Growth Opportunities	SINGX	Terminated

State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Asset Allocation **as of December 31, 2007**

Asset Class	Market Value	%
Fixed Income	3,072,324	7.2%
Montana Stable Value	2,340,360	5.5%
Vanguard Total Bond Market Index	731,964	1.7%
Balanced	21,501,289	50.1%
Vanguard Balanced Index	21,501,289	50.1%
Domestic Equity	13,449,126	31.4%
<u>Large Cap</u>	<u>6,431,431</u>	<u>15.0%</u>
Vanguard Equity Income	1,433,619	3.3%
Vanguard Growth & Income	933,980	2.2%
American Funds Growth Fund of America	3,894,842	9.1%
BGI Equity Index	168,991	0.4%
<u>Mid Cap</u>	<u>3,702,712</u>	<u>8.6%</u>
Munder Mid Cap Core Growth	1,639,791	3.8%
Janus Mid Cap Value	2,062,921	4.8%
<u>Small Cap</u>	<u>3,314,983</u>	<u>7.7%</u>
Vanguard Small Cap Index	975,154	2.3%
Manager Essex Small/Micro Growth	1,384,503	3.2%
Hotchkis & Wiley Small Cap	955,326	2.2%
International Equity	4,869,829	11.4%
SSgA International Growth Opportunities	563,772	1.3%
American Funds New Perspective	2,769,824	6.5%
Oakmark International	1,536,233	3.6%
TOTAL STATE OF MONTANA 401(a)	\$ 42,892,568	



Montana Stable Value	Trailing Total Returns (annualized)			
Style: Intermediate Gov/Credit FI	Quarter	1 Year	3 Year	5 Year
Montana Stable Value	3.15	9.35	5.00	5.06
LB Gov/Credit Bond + 0.35%	2.99	7.74	4.67	4.41

3 yr

5 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
n/a	--	--	--
n/a	--	--	--

Fund Narrative
This fund has outperformed its benchmark for all time periods. Recommendation: Retention.

Vanguard Total Bond Index	Trailing Total Returns (annualized)			
Style: Intermediate Fixed Income	Quarter	1 Year	3 Year	5 Year
Vanguard Total Bond Index	3.10	7.02	4.61	4.44
Lehman Aggregate	3.00	6.97	4.56	4.42
Intermediate Fixed MF Mean	1.86	5.18	3.93	4.40

3 yr

5 yr

10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★★★★★	0.1	-0.1	0.1
★★★★★	0.4	0.4	0.4
★★★★★	--	--	--

Fund Narrative
This fund beat the returns of the Lehman Aggregate Bond Index for the quarter and year, as well as all other time periods. The manager's Sharpe Ratio outpaced the category mean for the 3 year time period and the fund's Morningstar Rating exceeded the State's investment policy requirement. Recommendation: Retention

Vanguard Balanced Index	Trailing Total Returns (annualized)			
Style: Balanced	Quarter	1 Year	3 Year	5 Year
Vanguard Balanced Index	(0.78)	6.34	7.37	10.22
US Balanced Index	(0.73)	6.26	7.37	10.24
Balanced MF Mean	(1.04)	6.36	7.64	10.30

3 yr

5 yr

10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★★★	0.6	0.7	0.7
★★★	1.2	1.1	1.1
★★★	--	--	--

Fund Narrative
This fund's returns was in line with that of the US Balanced Index for the quarter and 1 year periods and matched the index over the 3 and 5 year time horizons, as expected of an index fund. The manager's Sharpe Ratio was marginally below category mean and the fund's Morningstar Rating meet the State requirement. Recommendation: Retention

Vanguard Equity-Income	Trailing Total Returns (annualized)			
Style: Large Value	Quarter	1 Year	3 Year	5 Year
Vanguard Equity-Income	(3.68)	4.99	9.84	13.54
Russell 1000 Value Index	(5.80)	(0.17)	9.32	14.63
Large Cap Value MF Mean	(4.99)	1.68	8.89	14.03

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.8	0.6	0.6
5 yr	★★★	1.2	0.9	1.2
10 yr	★★★★	--	--	--

Fund Narrative
This large value fund outperformed the Russell 1000 Value Index over the quarter and for the 1- and 3-year periods. With a four-start Morningstar rating and a higher category mean Sharpe Ratio, this fund meets the requirements of the State. Recommendation: Retention.

Vanguard Growth and Income	Trailing Total Returns (annualized)			
Style: Large Cap Core	Quarter	1 Year	3 Year	5 Year
Vanguard Growth and Income	(5.71)	2.73	7.55	12.53
S&P 500 Index	(3.33)	5.49	8.62	12.83
Large Cap Blend MF Mean	(2.83)	6.07	8.61	12.82

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	0.4	0.6	0.6
5 yr	★★★	1.0	0.9	1.1
10 yr	★★★	--	--	--

Fund Narrative
This broadly diversified fund underperformed the S&P 500 Index for the quarter and the year, as well as longer periods of time. The manager's Sharpe Ratio is slightly below the 3 year category mean but above for the 5-year; the Morningstar Rating met the State requirement. Recommendation: Retention.

American Funds Growth Fund	Trailing Total Returns (annualized)			
Style: Large Growth	Quarter	1 Year	3 Year	5 Year
American Funds Growth Fund	(2.72)	10.95	12.03	15.91
S&P 500 Index	(3.33)	5.49	8.62	12.83
Large Cap Growth MF Mean	(0.27)	14.34	9.58	12.91

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.8	0.6	0.6
5 yr	★★★★	1.3	0.9	1.1
10 yr	★★★★★	--	--	--

Fund Narrative
This large growth fund experienced strong but negative returns this quarter and has outperformed the S&P 500 Index benchmark for all time periods. The manager's Sharpe Ratio exceeds the category mean in both the 3- and 5-year time periods and the fund's Morningstar Rating is above the State's requirement. Recommendation: Retention

Janus Mid Cap Value	Trailing Total Returns (annualized)			
Style: Mid Value	Quarter	1 Year	3 Year	5 Year
Janus Mid Cap Value	(2.18)	7.43	10.97	17.64
Russell Mid Cap Value Index	(5.97)	(1.42)	10.11	17.92
Mid Cap Value MF Mean	(4.93)	0.74	8.68	15.92

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.8	0.6	0.6
5 yr	★★★★	1.4	1.0	1.3
10 yr	--	--	--	--

Fund Narrative
This mid cap value fund outperformed the Russell Mid Cap Value Index for the quarter and 1 year time periods and now leads the benchmark over the 3 and 5 year time periods. This manager ranks in the top quartile of managers in this investment category for all time periods. The manager's Sharpe Ratio is above the category mean and the fund's Morningstar Rating exceeded the requirements of the State. Recommendation: Retention

Munder Mid-Cap Core Growth	Trailing Total Returns (annualized)			
Style: Mid Growth	Quarter	1 Year	3 Year	5 Year
Munder Mid-Cap Core Growth	(0.16)	20.64	14.94	20.44
S&P Mid Cap 400 Index	(2.73)	7.98	10.27	16.20
Mid Cap Growth MF Mean	(1.18)	16.85	12.18	17.00

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	0.9	0.7	0.6
5 yr	★★★★	1.4	1.0	1.1
10 yr	--	--	--	--

Fund Narrative
This fund again enjoyed a very strong quarter and year and has outperformed the S&P Mid Cap 400 benchmark for all time periods. The manager ranks in or near the top quartile of managers in this investment category. This manager's Sharpe Ratio was above the category mean and the Morningstar Rating exceeded the State's requirement. Recommendation: Retention

Hotchkis & Wiley Small Cap Value	Trailing Total Returns (annualized)			
Style: Small Value	Quarter	1 Year	3 Year	5 Year
Hotchkis & Wiley Small Cap Value	(9.04)	(18.97)	(2.66)	13.76
Russell 2000 Value Index	(7.28)	(9.78)	5.27	15.80
Small Cap Value MF Mean	(6.52)	(5.89)	4.91	14.92

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★	-0.4	0.1	0.1
5 yr	★	0.7	0.8	0.9
10 yr	★★	--	--	--

Fund Narrative
Terminated. The Hotchkis & Wiley Small Cap Value fund has been terminated; a replacement small cap value manager search is in progress.

Vanguard Small Cap Index	Trailing Total Returns (annualized)			
Style: Small Cap	Quarter	1 Year	3 Year	5 Year
Vanguard Small Cap Index	(4.99)	1.29	8.06	17.19
MSCI US Small Cap 1750 Index	(5.02)	1.20	7.99	17.37
Small Cap Blend MF Mean	(5.26)	(0.48)	7.10	15.65

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.3	0.2	0.3
5 yr	★★★★	1.0	0.8	1.0
10 yr	★★★	--	--	--

Fund Narrative
This fund earned the benchmark return for all time periods, as expected of an index fund. With a 4 star Morningstar rating and adequate Sharpe Ratio, this fund meets the State requirement. Recommendation: Retention.

Managers Essex Sm/Micro Growth	Trailing Total Returns (annualized)			
Style: Small Growth	Quarter	1 Year	3 Year	5 Year
Managers Essex Sm/Micro Growth	(1.33)	17.45	13.24	22.84
Russell 2000 Growth Index	(2.10)	7.05	8.11	16.50
Small Cap Growth MF Mean	(3.59)	7.64	8.09	16.09

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.6	0.3	0.3
5 yr	★★★★★	1.1	0.8	0.9
10 yr	--	--	--	--

Fund Narrative
This manager outperformed the benchmark in a tough 4th quarter and has significantly beaten the benchmark returns for all time periods. With a 4 star Morningstar rating and sufficient Sharpe Ratio, this fund meets the State's requirements. Recommendation: Retention.

American Funds New Perspective	Trailing Total Returns (annualized)			
Style: Global Equity	Quarter	1 Year	3 Year	5 Year
American Funds New Perspective	(0.00)	16.04	15.67	19.32
MSCI World Index	(2.42)	9.04	12.75	16.96
World Equity MF Mean	(1.82)	10.68	14.87	19.16

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	1.1	1.2	1.0
5 yr	★★★	1.4	1.2	1.4
10 yr	★★★★★	--	--	--

Fund Narrative
This global equity fund beat the MSCI World Index benchmark index for the quarter, 1 year, 3 year, and 5 year time periods and the manager scored in the top half of managers in this investment category for all time periods. The manager's 3-year Sharpe Ratio was just shy of the category mean and the Morningstar Rating met the requirements of the State. Recommendation: Retention.

Oakmark International	Trailing Total Returns (annualized)			
Style: International Equity	Quarter	1 Year	3 Year	5 Year
Oakmark International	(4.78)	(0.51)	14.03	19.51
MSCI EAFE Index	(1.75)	11.17	16.83	21.59
Non-US Equity MF Mean	(2.12)	12.18	18.10	22.41

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★ ★	1.1	1.3	1.2
5 yr	★ ★	1.4	1.3	1.6
10 yr	★ ★ ★	--	--	--

Fund Narrative
This international equity (developed countries only) manager underperformed the MSCI EAFE Index for all measured time periods. The manager's Sharpe Ratio trailed the category mean for the 3-year while it led for the 5-year. This fund has a 2-star Morningstar rating which does not meet the State's requirements. Recommendation: Probation.

SSgA International Growth Opp.	Trailing Total Returns (annualized)			
Style: International Equity	Quarter	1 Year	3 Year	5 Year
SSgA International Growth Opp.	(1.15)	10.49	16.30	17.99
MSCI EAFE Index	(1.75)	11.17	16.83	21.59
Non-US Equity MF Mean	(2.12)	12.18	18.10	22.41

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★ ★	1.2	1.3	1.2
5 yr	★ ★	1.3	1.3	1.6
10 yr	--	--	--	--

Fund Narrative
Terminated. This international equity (developed markets only) manager has been terminated; a replacement international equity manager search is in progress.

State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Vanguard Total Bond Market Signal

Ticker: VBTSX

Fund Strategy

This index fund seeks to mirror the performance and duration of the Lehman Brothers Aggregate Bond Index.

Manager Information

Lead Manager Kenneth Volpert
 Inception 11/12/2001
 Prospectus www.vanguard.com

Fund	Characteristics				Trailing Total Returns (annualized)				
	Morningstar Rating	Avg. Duration	Avg. Maturity	Avg. Quality	Qtr	YTD	1 Year	3 Years	5 Years
Vanguard Total Bond Mkt	★★★★	4.41	7.00	AAA	3.1%	7.0%	7.0%	4.6%	4.4%
Lehman Aggregate					3.0%	7.0%	7.0%	4.6%	4.4%
Interm Fixed MF Mean					1.9%	5.2%	5.2%	3.9%	4.4%

	Manager Statistics				Index Statistics	
	Standard Deviation	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	2.88	0.04	0.09	0.20	2.81	0.07
5-Year	3.63	0.00	0.37	0.19	3.59	0.37

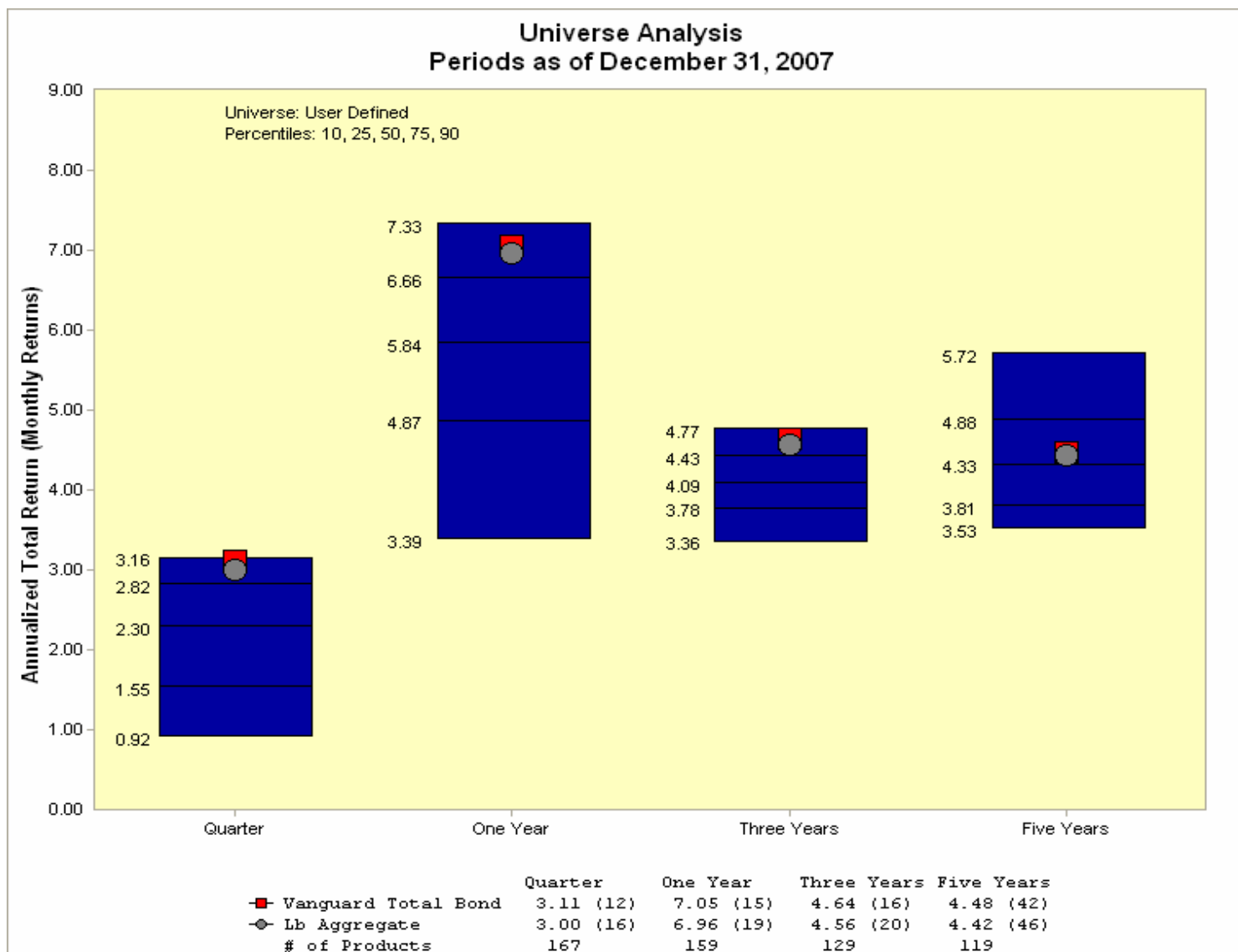
Portfolio Characteristics 12-31-07	
Credit Quality	%
US Gov't/Agency/AAA	79.8%
AA	5.5%
A	7.9%
BBB	6.8%
< BBB	0.0%
Non-Rated	0.0%
Maturity Breakdown	%
0 - 3 yrs.	18.3%
3 - 5 yrs.	11.7%
5 - 7 yrs.	9.6%
7 - 10 yrs.	11.0%
10 - 15 yrs.	11.7%
15 - 20 yrs.	4.6%
20 + yrs.	33.1%

Sector Weights 12-31-07		
versus Lehman Aggregate	%	+ / -
US Government	32.5%	0.5%
Mortgage	40.2%	1.2%
Credit	23.5%	3.5%
Foreign	1.9%	-7.1%
Cash	1.8%	1.8%

Portfolio Information	
Expense Ratio	0.11%
12b-1 Fee Included	-
Category Average	1.01%
Minimum Investment	\$100,000

Year-End Assets (\$ Mil.)	
2007	\$57,898
2006	\$40,558
2005	\$32,841
2004	\$29,425
2003	\$25,717
2002	\$25,006
2001	\$21,759

Intermediate Fixed Income Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Vanguard Balanced Index Institutional

Ticker: VBAIX

Fund Strategy

The fund is 60% stocks and 40% bonds. It tracks the MSCI Broad Market Index on the stock allocation and the Lehman Brothers Aggregate Bond Index on the fixed income allocation.

Manager Information

Lead Manager Michael Perre & Gregory Davis
Avg. Tenure 1992
Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Balanced Indx Instl	★★★	\$31,091	7408	-0.8%	6.3%	6.3%	7.4%	10.2%	6.5%
US Balanced Index				-0.7%	6.3%	6.3%	7.4%	10.2%	6.7%
Balanced MF Mean				-1.0%	6.4%	6.4%	7.6%	10.3%	6.3%

	Manager Statistics					Index Statistics	
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	4.90	0.82	-0.78	0.61	2.14	4.11	0.72
5-Year	5.50	0.81	-1.02	1.23	2.13	6.35	1.10

Top 10 Holdings 12-31-07	
Company	% of Portfolio
ExxonMobil Corporation	1.92%
General Electric Company	1.41%
Microsoft Corporation	1.11%
AT&T, Inc.	0.94%
Procter & Gamble Company	0.85%
US Treasury Bond 8.75%	0.83%
Chevron Corporation	0.74%
Johnson & Johnson	0.71%
Bank of America Corporation	0.68%
Apple, Inc.	0.64%

Sector Weights 12-31-07		
versus S&P 500	%	+ / -
Consumer Discretionary	9.6%	1.1%
Consumer Staples	8.9%	-1.3%
Energy	12.0%	-0.9%
Financials	17.6%	0.0%
Health Care	12.1%	0.2%
Industrials	12.0%	0.4%
Information Technology	16.8%	0.1%
Materials	3.9%	0.5%
Telecom Services	3.3%	-0.3%
Utilities	3.9%	0.2%

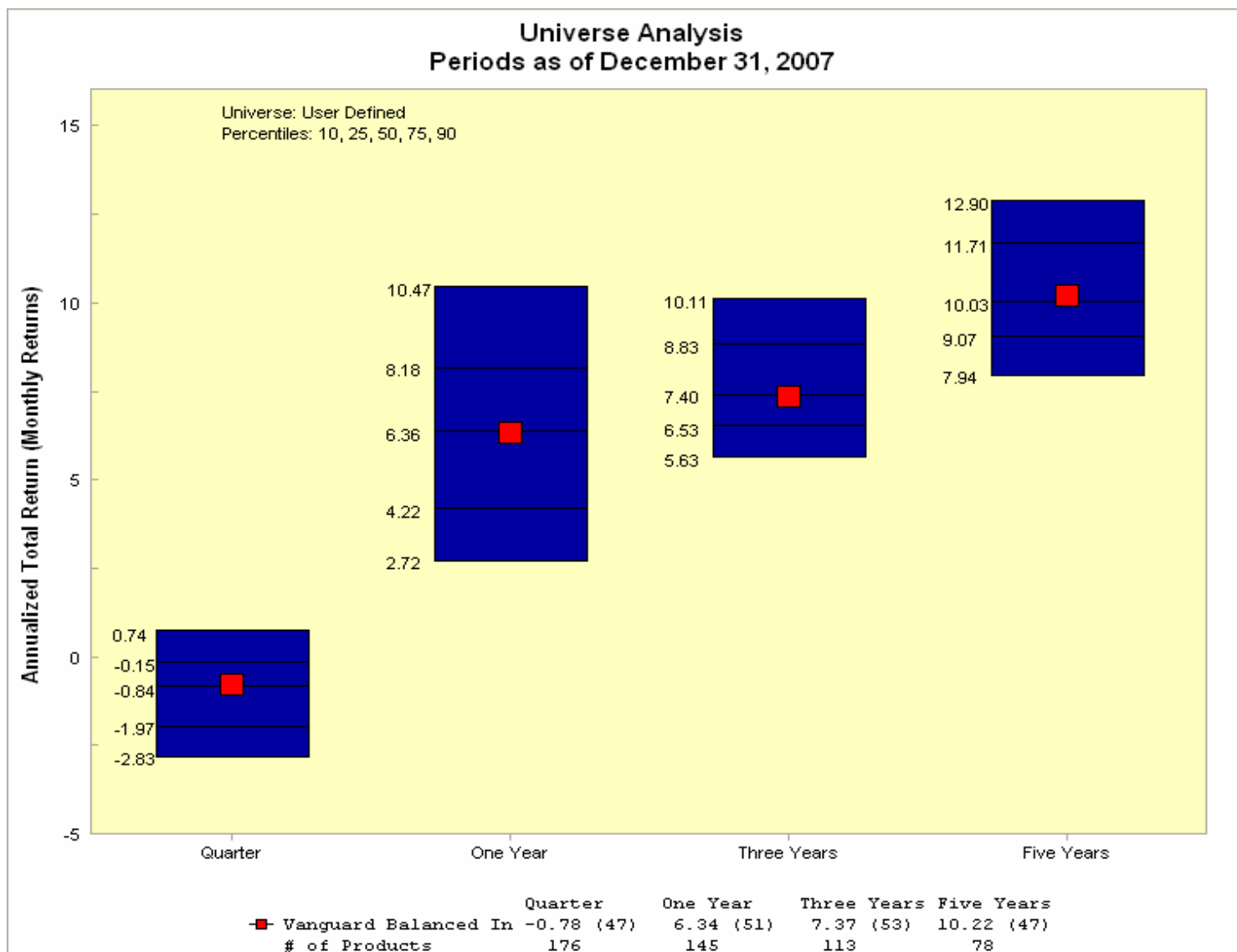
Portfolio Information	
Expense Ratio	0.08%
12b-1 Fee Included	-
Morningstar Average	1.11%
Minimum Investment	\$5,000,000
Avg. Annual Turnover	33%

Fixed Income Characteristics	
Avg. Duration (yrs.)	4.41
Avg. Maturity (yrs.)	7.00
Avg. Quality	AAA

Sector Weights 12-31-07		
versus Lehman Aggregate	%	+ / -
US Government	30.7%	-1.3%
Mortgage	38.9%	-0.1%
Credit	25.7%	5.7%
Foreign	2.1%	-6.9%
Cash	2.7%	2.7%

Year-End Assets (\$ Mil.)	
2007	\$9,505
2006	\$9,284
2005	\$4,098
2004	\$4,674
2003	\$3,895
2002	\$2,990
2001	\$3,117

Balanced Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



American Funds Growth Fund of America A Ticker: AGTHX

Fund Strategy

This fund invests based on the GARP, growth at a reasonable price, investment philosophy. It is managed by a team of managers who invest independently from one another. Consequently, the portfolio is broadly diversified and tends to have lower volatility than most growth funds.

Manager Information

Lead Manager James E. Drasdo + Team
Inception 11/30/1973
Prospectus www.americanfunds.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
American Funds Grw FOA	★★★★	\$47,715	551	-2.7%	11.0%	11.0%	12.0%	15.9%	11.4%
S & P 500				-3.3%	5.5%	5.5%	8.6%	12.8%	5.9%
Lg Cap Growth MF Mean				-0.3%	14.3%	14.3%	9.6%	12.9%	5.9%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	8.93	1.03	3.06	0.84	3.94	7.79	1.00	0.55
5-Year	9.59	1.03	2.51	1.27	3.65	8.61	1.00	1.09

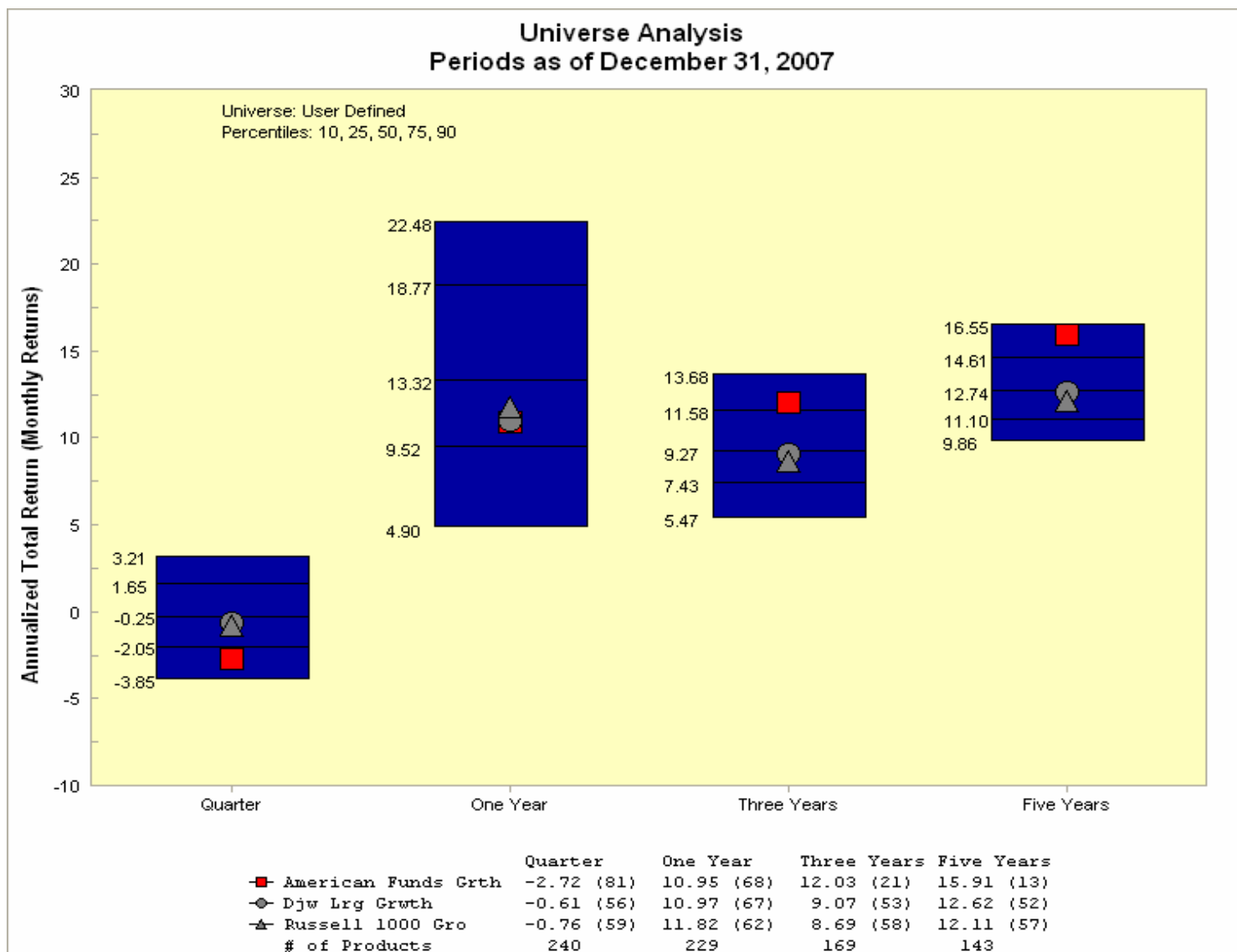
Top 10 Holdings 12-31-07	
Company	% of Portfolio
Google, Inc.	2.50%
Microsoft Corporation	2.38%
Oracle Corporation	1.99%
Schlumberger, Ltd.	1.95%
Roche Holding Ltd	1.81%
Cisco Systems, Inc.	1.61%
General Electric Company	1.41%
Berkshire Hathaway Inc. A	1.24%
Fannie Mae	1.17%
Target Corporation	1.16%

Sector Weights 12-31-07		
versus S&P 500	%	+ / -
Consumer Discretionary	13.3%	4.8%
Consumer Staples	7.5%	-2.8%
Energy	15.4%	2.6%
Financials	9.4%	-8.3%
Health Care	12.6%	0.6%
Industrials	8.7%	-2.8%
Information Technology	24.6%	7.9%
Materials	5.8%	2.4%
Telecom Services	2.4%	-1.2%
Utilities	0.3%	-3.3%

Portfolio Information	
Expense Ratio	0.62%
12b-1 Fee Included	0.25%
Morningstar Average	1.39%
Minimum Investment	\$250
Avg. Annual Turnover	26%

Year-End Assets (\$ Mil.)	
2007	\$182,536
2006	\$161,912
2005	\$123,739
2004	\$77,952
2003	\$65,864
2002	\$37,653
2001	\$39,830

Large Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Vanguard Growth & Income Admiral

Ticker: VGIAX

Fund Strategy

Using a quantitative approach, this fund seeks to build a stock portfolio with a risk level comparable to the S&P 500 Index but is able to earn an annual return higher than the Index. Computer models rank 4000 stocks based on value, discounted cash flow, and earnings momentum. Portfolio weights are similar to the Index; managers take many small positions to overweight or underweight the Index based on individual stocks risk/reward profile.

Manager Information

Lead Manager John S. Cone + Oliver E. Buckley
 Inception 5/14/2001
 Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Grw & Income Adm	★ ★ ★	\$52,778	107	-5.7%	2.7%	2.7%	7.5%	12.5%	6.0%
S & P 500				-3.3%	5.5%	5.5%	8.6%	12.8%	5.9%
Lg Cap Blend MF Mean				-2.8%	6.1%	6.1%	8.6%	12.8%	6.1%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	8.17	1.02	-1.04	0.41	2.01	7.79	1.00	0.55
5-Year	8.75	0.99	-0.19	1.04	1.95	8.61	1.00	1.09

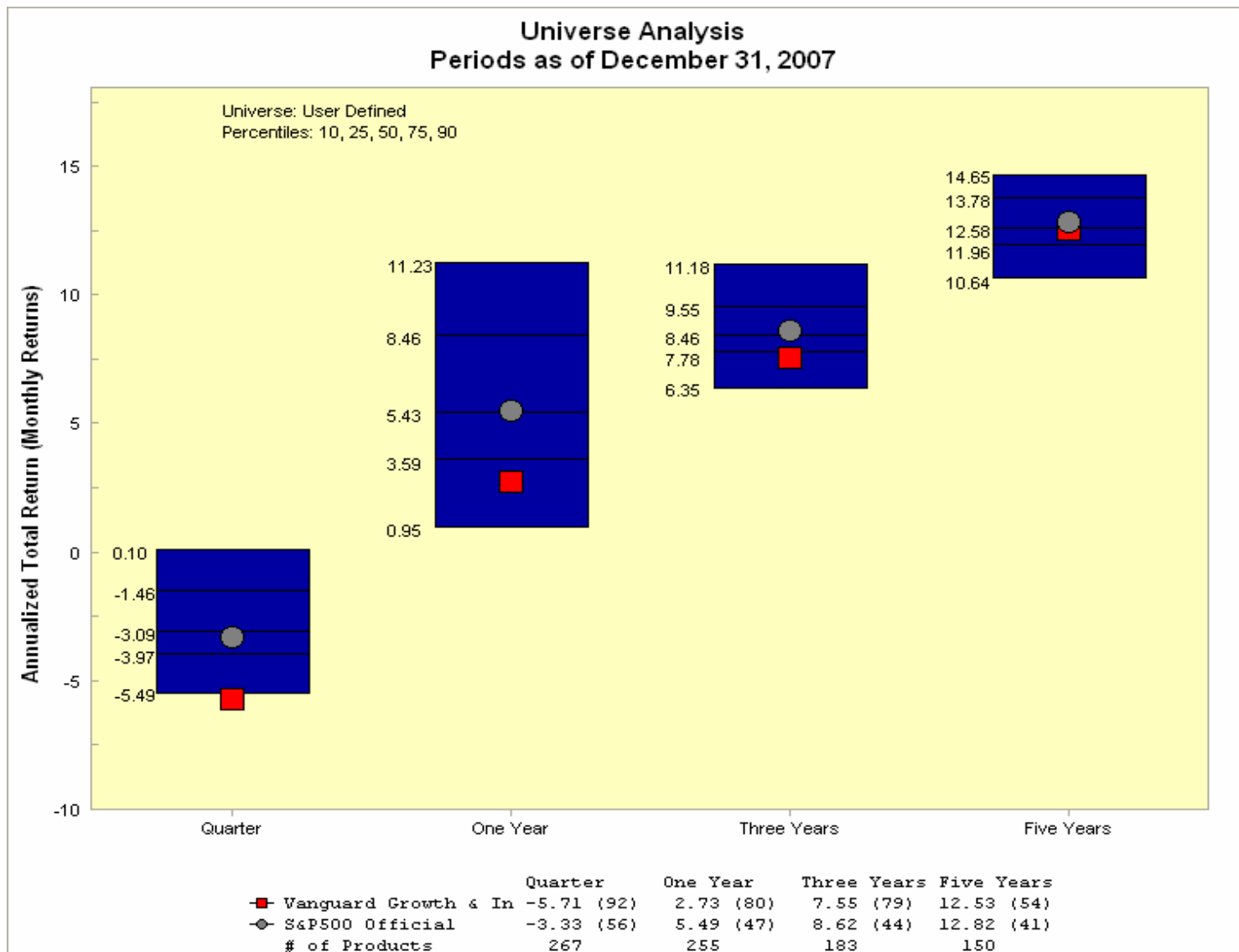
Top 10 Holdings 12-31-07	
Company	% of Portfolio
ExxonMobil Corporation	4.00%
General Electric Company	3.84%
Apple, Inc.	3.47%
Procter & Gamble Company	2.80%
IBM	2.42%
Qualcomm, Inc.	2.34%
Citigroup, Inc.	2.32%
Valero Energy Corporation	2.32%
American International Group	2.26%
XTO Energy, Inc.	2.14%

Sector Weights 12-31-07		
versus S&P 500	%	+ / -
Consumer Discretionary	9.4%	0.9%
Consumer Staples	9.6%	-0.6%
Energy	13.9%	1.0%
Financials	15.5%	-2.1%
Health Care	12.3%	0.3%
Industrials	12.3%	0.8%
Information Technology	16.9%	0.2%
Materials	3.5%	0.1%
Telecom Services	2.5%	-1.2%
Utilities	4.2%	0.5%

Portfolio Information	
Expense Ratio	0.18%
12b-1 Fee Included	-
Morningstar Average	1.14%
Minimum Investment	\$100,000
Avg. Annual Turnover	100%

Year-End Assets (\$ Mil.)	
2007	\$7,069
2006	\$7,802
2005	\$7,380
2004	\$6,224
2003	\$5,483
2002	\$4,496
2001	\$6,925

Large Cap Broad Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Vanguard Equity Income Admiral

Ticker: VEIRX

Fund Strategy

This fund seeks to find stocks in high quality companies that are temporarily undervalued and have a high dividend yield in an effort to deliver a combination of steady returns and above average income. The portfolio is broadly diversified.

Manager Information

Lead Manager John R. Ryan + Team
 Inception 8/13/2001
 Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Equity Income Adm	★★★	\$62,155	181	-3.7%	5.0%	5.0%	9.8%	13.5%	7.5%
Russell 1000 Value Index				-5.8%	-0.2%	-0.2%	9.3%	14.6%	7.7%
Lg Cap Value MF Mean				-5.0%	1.7%	1.7%	8.9%	14.0%	7.1%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	6.97	0.84	1.74	0.78	2.56	8.17	0.99	0.61
5-Year	8.37	0.92	1.34	1.19	2.71	9.21	1.03	1.19

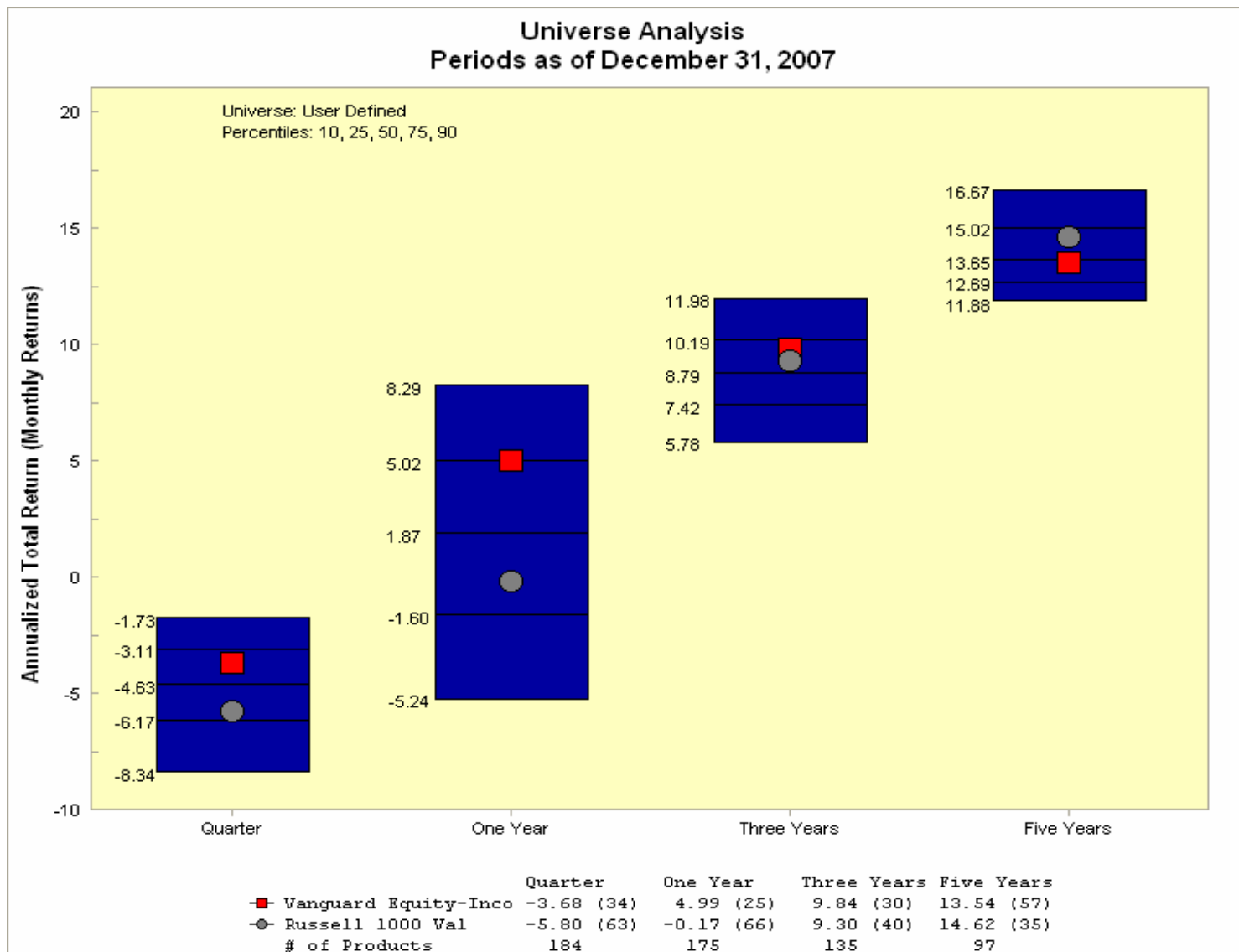
Top 10 Holdings 12-31-07	
Company	% of Portfolio
General Electric Company	5.37%
AT&T, Inc.	4.66%
Chevron Corporation	4.38%
ConocoPhillips	3.86%
Bank of America Corporation	3.51%
ExxonMobil Corporation	3.13%
Altria Group, Inc.	2.66%
J.P.Morgan Chase & Co.	2.19%
Verizon Communications Inc.	2.17%
US Bancorp	2.04%

Sector Weights 12-31-07		
versus Russell 1000 Value	%	+ / -
Consumer Discretionary	3.0%	-4.1%
Consumer Staples	13.4%	4.6%
Energy	13.2%	-3.5%
Financials	24.1%	-4.7%
Health Care	9.1%	1.8%
Industrials	11.4%	0.7%
Information Technology	2.1%	-1.3%
Materials	6.0%	1.9%
Telecom Services	7.5%	1.1%
Utilities	10.2%	3.5%

Portfolio Information	
Expense Ratio	0.17%
12b-1 Fee Included	-
Morningstar Average	1.32%
Minimum Investment	\$100,000
Avg. Annual Turnover	51%

Year-End Assets (\$ Mil.)	
2007	\$5,075
2006	\$5,293
2005	\$4,332
2004	\$3,162
2003	\$2,590
2002	\$1,931
2001	\$2,250

Large Cap Value Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Munder Mid Cap Core Growth A Ticker: MGOAX

Fund Strategy

This fund operates in the mid-capitalization space and managers seek to invest in companies that are temporarily out of favor and trade cheap relative to their growth prospects. The fund keeps sector weightings within 3% of the benchmark. The fund holds 70-85 stocks and individual positions are capped at 3%

Manager Information

Lead Manager Tony Y. Dong + Team
 Inception 6/30/2000
 Prospectus www.munder.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Munder Mid Cap Core Grw A	★★★★	\$5,165	88	-0.2%	20.6%	20.6%	14.9%	20.4%	-
S&P MidCap 400 Index				-2.7%	8.0%	8.0%	10.3%	16.2%	11.2%
Mid Cap Growth MF Mean				-1.2%	16.8%	16.8%	12.2%	17.0%	9.3%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	11.59	1.24	5.02	0.89	6.73	10.52	1.18	0.58
5-Year	11.78	1.11	5.87	1.38	6.96	11.13	1.15	1.13

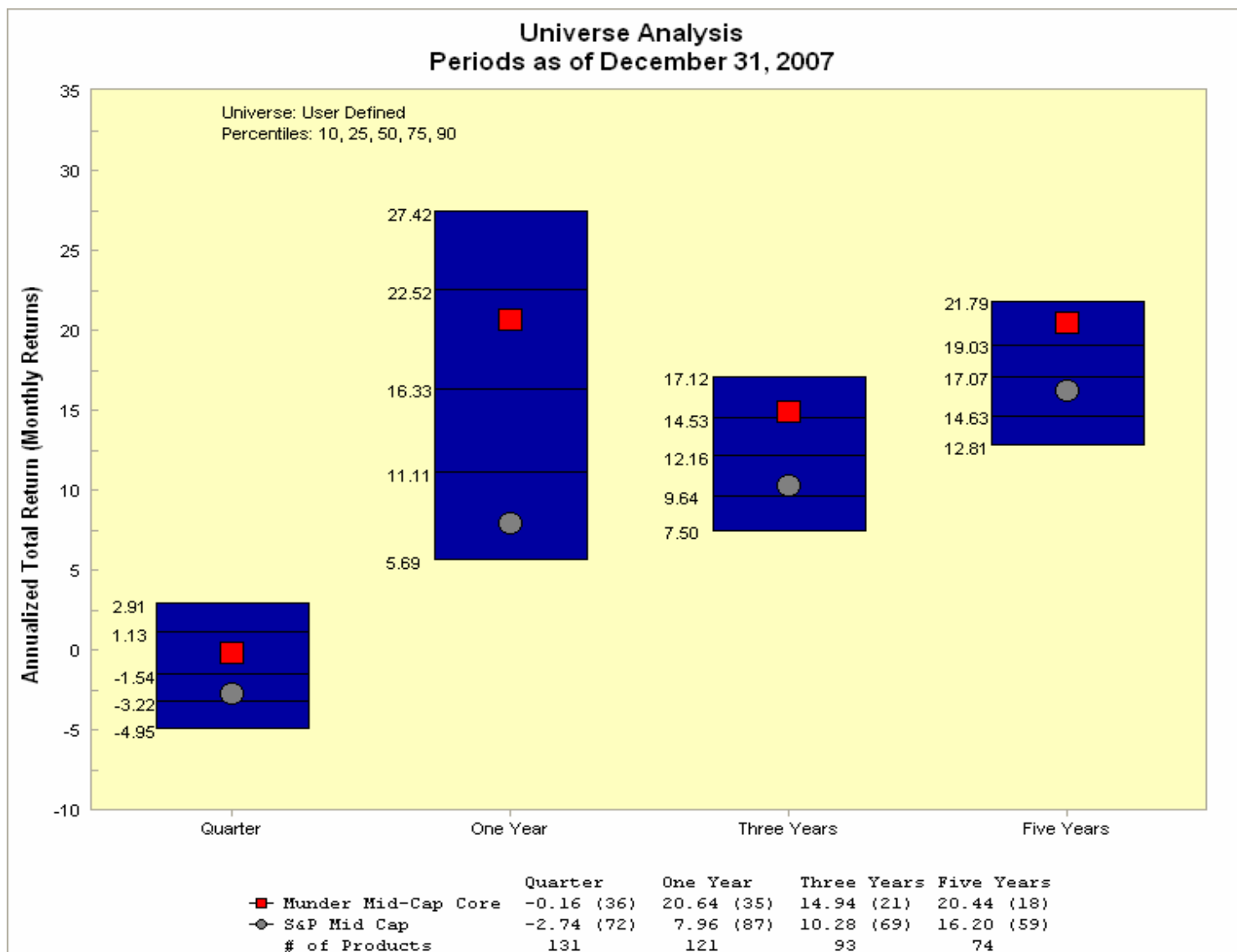
Top 10 Holdings 12-31-07	
Company	% of Portfolio
McDermott International	2.48%
General Cable Corporation	2.43%
Gamestop Corporation	2.37%
L-3 Communications Holdings, Inc.	2.25%
VCA Antech, Inc.	2.00%
Equitable Resources, Inc.	1.99%
Northeast Utilities	1.96%
Hologic, Inc.	1.93%
Penn National Gaming	1.91%
Stericycle, Inc.	1.81%

Sector Weights 12-31-07		
versus S&P MidCap 400	%	+ / -
Consumer Discretionary	14.4%	1.9%
Consumer Staples	3.7%	0.5%
Energy	8.5%	-1.3%
Financials	14.0%	-1.1%
Health Care	11.5%	-1.4%
Industrials	16.8%	1.2%
Information Technology	14.7%	-0.4%
Materials	7.8%	0.7%
Telecom Services	1.9%	1.2%
Utilities	6.7%	-1.2%

Portfolio Information	
Expense Ratio	1.32%
12b-1 Fee Included	0.25%
Morningstar Average	1.69%
Minimum Investment	\$2,500
Avg. Annual Turnover	46%

Year-End Assets (\$ Mil.)	
2007	\$4,692
2006	\$2,738
2005	\$1,146
2004	\$425
2003	\$267
2002	\$103
2001	\$65

Mid Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Janus Mid Cap Value Inv

Ticker: JMCVX

Fund Strategy

This fund operates in the mid-capitalization space and has a value, turnaround story, and contrarian orientation. Managers seek to find stocks trading near their historic low in price but have strong cash flows, minimal debt and a proven management team. The portfolio holds 120-150 companies and individual positions are capped at 3%.

Manager Information

Lead Manager Thomas M. Perkins
 Inception 8/12/1998
 Prospectus www.janus.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Janus Mid Cap Value Inv	★★★★★	\$9,481	146	-2.2%	7.4%	7.4%	11.0%	17.6%	-
Russell Mid Cap Value Index				-6.0%	-1.4%	-1.4%	10.1%	17.9%	10.2%
Mid Cap Value MF Mean				-4.9%	0.7%	0.7%	8.7%	15.9%	10.3%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	8.37	0.97	2.33	0.78	3.63	9.26	1.05	0.63
5-Year	9.53	1.01	4.24	1.43	4.07	10.46	1.10	1.33

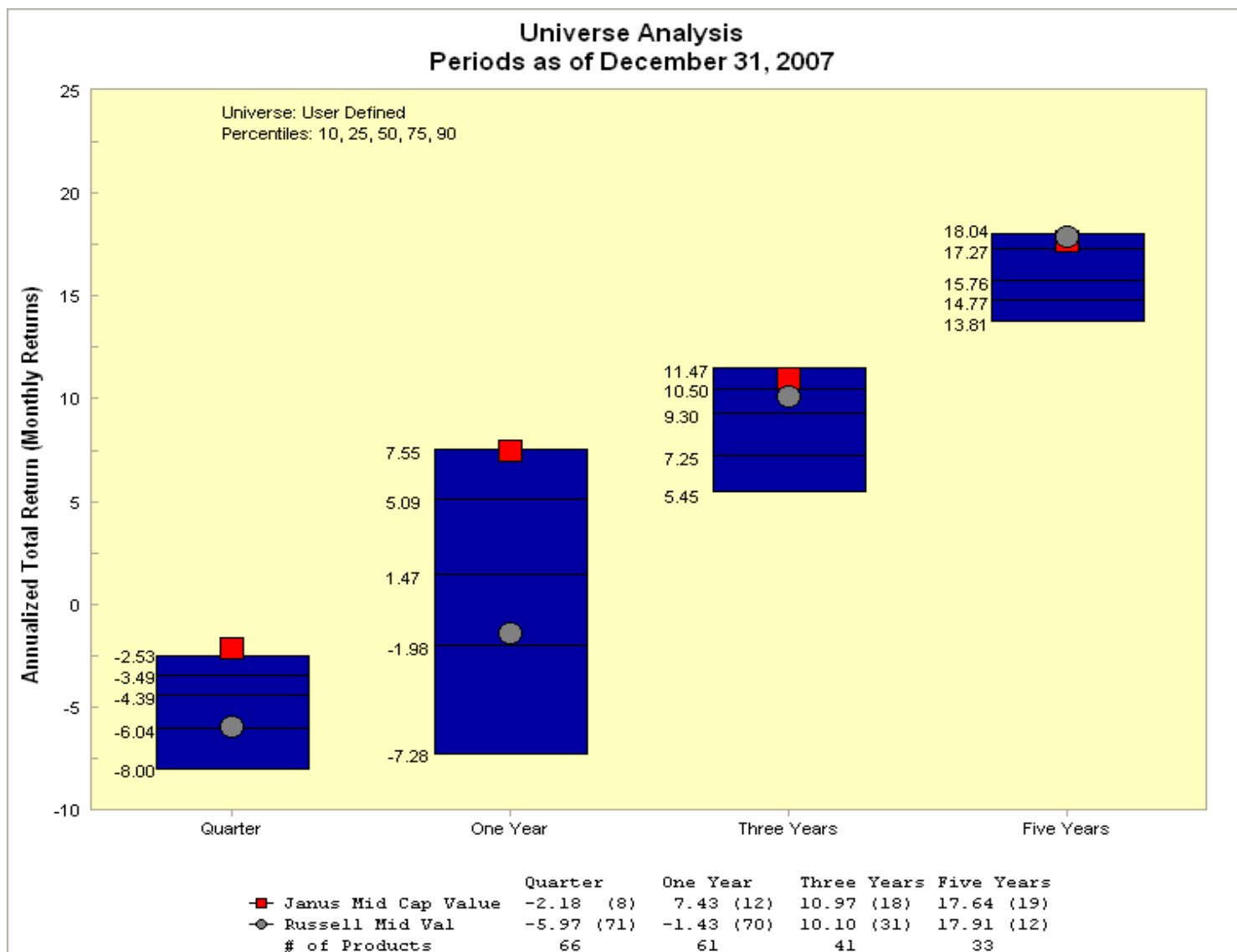
Top 10 Holdings 12-31-07	
Company	% of Portfolio
Alliancebernstein Holding LP	2.00%
Berkshire Hathaway Inc. B	1.85%
Protective Life Corporation	1.55%
Anadarko Petroleum Corp.	1.54%
Invesco PLC ADR	1.47%
DPL Incorporated	1.46%
Covidien, Ltd.	1.45%
Dover Corporation	1.40%
J.C. Penny Company, Inc.	1.37%
DPL Incorporated	1.36%

Sector Weights 12-31-07		
versus Russell Mid Cap Value	%	+ / -
Consumer Discretionary	9.6%	-3.3%
Consumer Staples	6.0%	-1.7%
Energy	13.5%	5.1%
Financials	25.9%	-2.7%
Health Care	11.9%	9.7%
Industrials	10.3%	0.0%
Information Technology	8.7%	1.8%
Materials	6.4%	-0.3%
Telecom Services	2.0%	0.4%
Utilities	5.6%	-9.0%

Portfolio Information	
Expense Ratio	0.93%
12b-1 Fee Included	-
Morningstar Average	1.36%
Minimum Investment	\$2,500
Avg. Annual Turnover	95%

Year-End Assets (\$ Mil.)	
2007	\$6,502
2006	\$6,479
2005	\$5,195
2004	\$4,654
2003	\$3,324
2002	\$1,175
2001	\$265

Mid Cap Value Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Managers AMG Essex Small/Micro Growth Ticker: MBRSX

Fund Strategy

This fund seeks capital appreciation through investing in a diversified portfolio of small capitalization (less than \$2.5 Billion at time of investment) US growth stocks.

Manager Information

Lead Manager Nancy Prial
 Inception 6/25/2002
 Prospectus www.managersinvest.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Mgr AMG Essex Sml/Mic Grw	★★★★	\$627	92	-1.3%	17.4%	17.4%	13.2%	22.8%	-
Russell 2000 Growth Index				-2.1%	7.0%	7.0%	8.1%	16.5%	4.3%
Small Cap Growth MF Mean				-3.6%	7.6%	7.6%	8.1%	16.1%	7.4%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	16.37	1.55	2.85	0.58	11.91	14.43	1.55	0.32
5-Year	17.20	1.49	5.08	1.11	12.25	15.63	1.51	0.86

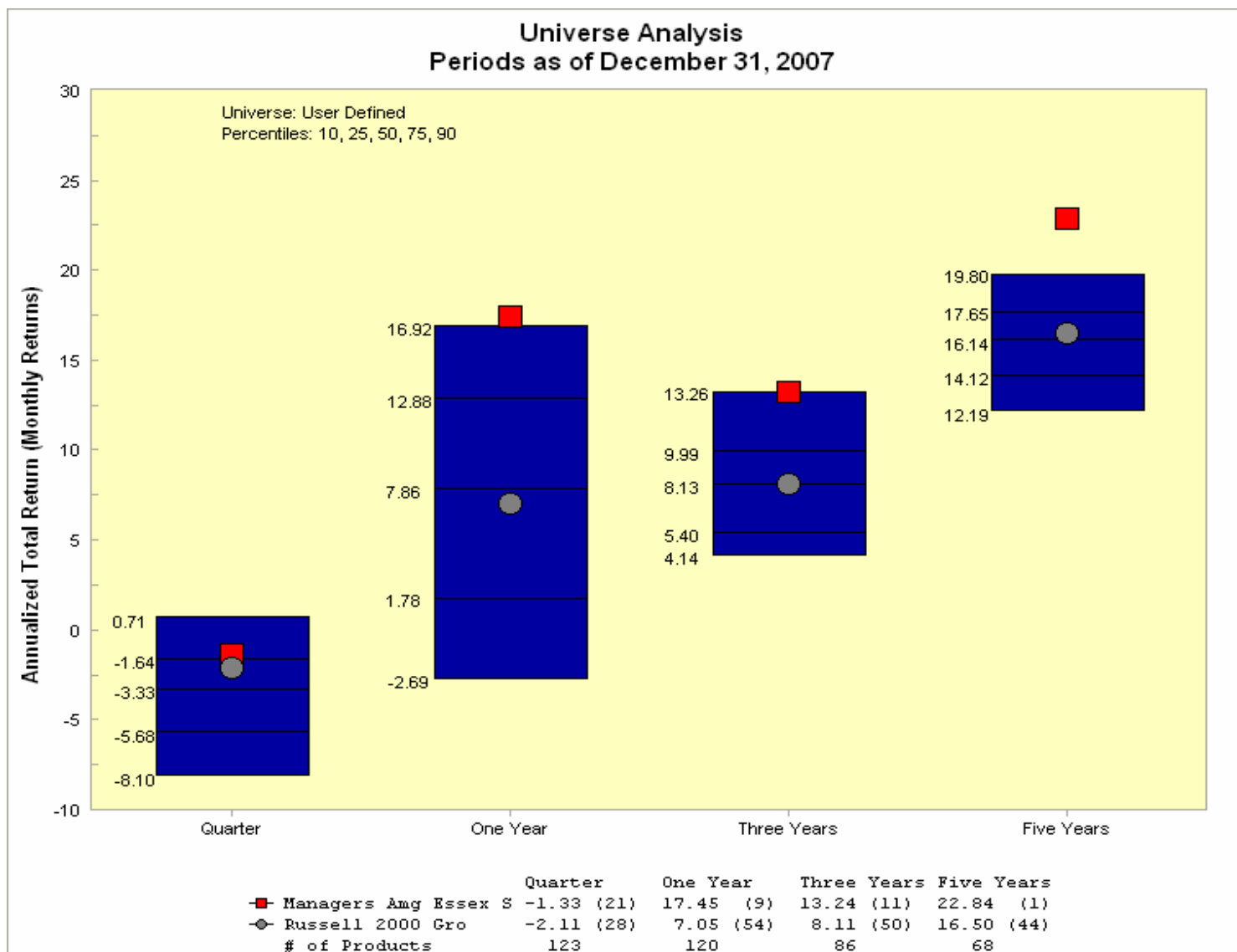
Top 10 Holdings 12-31-07	
Company	% of Portfolio
HMS Holdings Corporation	2.21%
Bucyrus International, Inc. A	1.90%
Interactive Intelligence, Inc.	1.76%
Illumina, Inc.	1.71%
Kendle International, Inc.	1.58%
Bruker BioSciences Corporation	1.55%
Parexel International Corporation	1.51%
Wright Medical Group, Inc.	1.50%
SkillSoft ADR	1.49%
Micros Systems, Inc.	1.39%

Sector Weights 12-31-07		
versus Russell 2000 Growth	%	+ / -
Consumer Discretionary	8.4%	-7.0%
Consumer Staples	2.5%	0.1%
Energy	1.2%	-5.6%
Financials	1.8%	-5.9%
Health Care	29.7%	7.9%
Industrials	14.9%	-1.9%
Information Technology	37.7%	14.6%
Materials	2.0%	-2.1%
Telecom Services	1.8%	0.5%
Utilities	0.0%	-0.6%

Portfolio Information	
Expense Ratio	1.50%
12b-1 Fee Included	0.25%
Morningstar Average	1.68%
Minimum Investment	\$2,000
Avg. Annual Turnover	100%

Year-End Assets (\$ Mil.)	
2007	\$134
2006	\$79
2005	\$14
2004	\$15
2003	\$8
2002	n/a
2001	n/a

Small Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Vanguard Small Cap Index Signal

Ticker: VSISX

Fund Strategy

This index fund tracks the MSCI US Small Cap 1750 Index, which contains 1750 of the smallest publicly traded stocks.

Manager Information

Lead Manager Michael H. Buek
 Inception 7/7/1997
 Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Sml Cap Index Instl	★★★★	\$1,549	1739	-5.0%	1.3%	1.3%	8.1%	17.2%	7.9%
MSCI Small Cap 1750 Index				-5.0%	1.2%	1.2%	8.0%	17.4%	9.6%
Small Cap Blend MF Mean				-5.3%	-0.5%	-0.5%	7.1%	15.6%	8.8%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	12.25	1.37	-1.67	0.34	6.75	12.24	-	0.34
5-Year	13.31	1.36	0.95	1.03	7.11	13.45	-	1.03

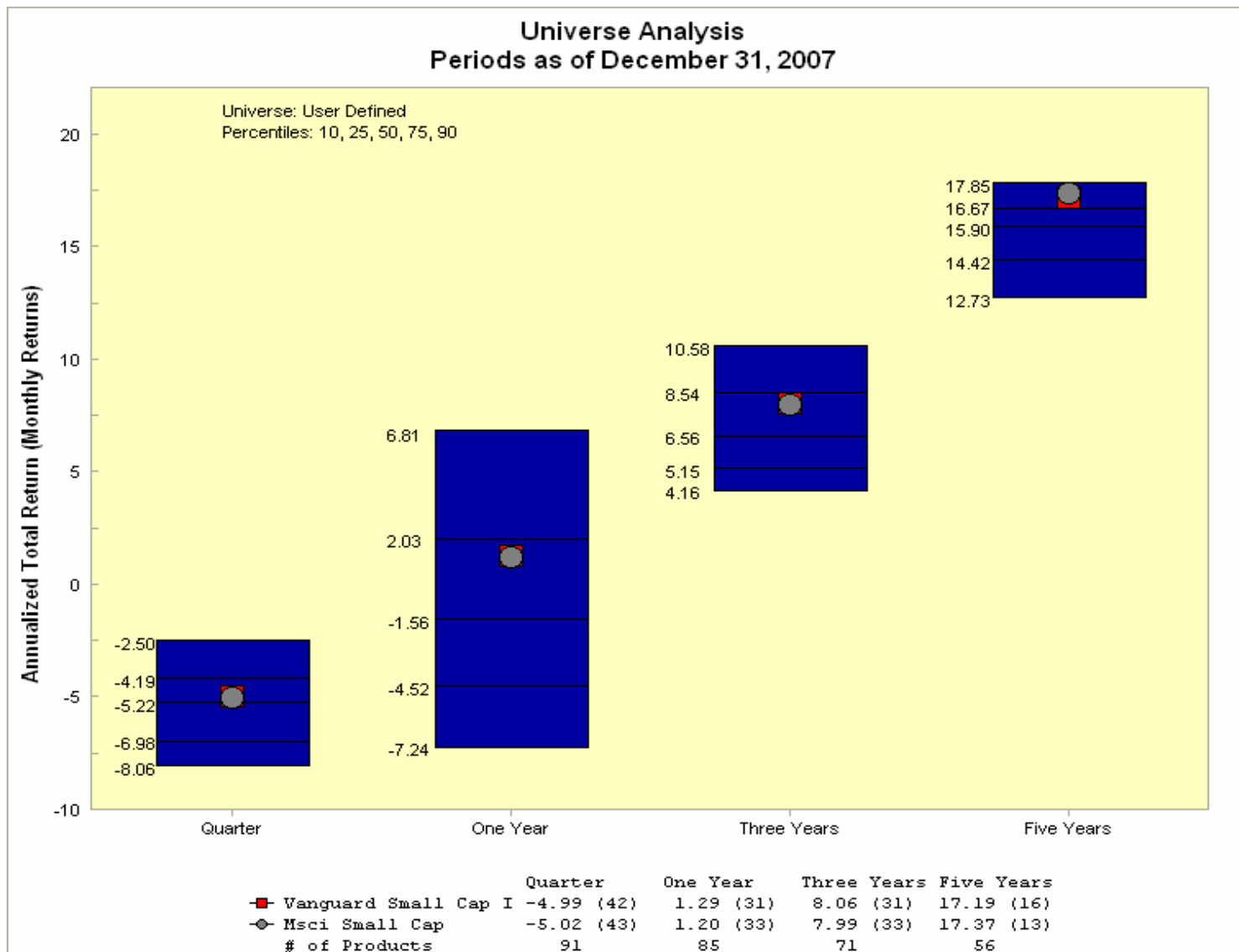
Top 10 Holdings 12-31-07	
Company	% of Portfolio
CF Industries Holdings, Inc.	0.32%
Flowserve Corporation	0.31%
BE Aerospace	0.28%
Resironics Inc.	0.28%
Terra Industries, Inc.	0.25%
Energen Corporation	0.25%
URS Corporation	0.25%
Mettler-Toledo International, Inc.	0.24%
helmerich & Payne, Inc.	0.24%
Priceline.com, Inc.	0.24%

Sector Weights 12-31-07		
vs. DJ Wilshire US Small Cap 1750	%	+ / -
Consumer Discretionary	12.9%	0.0%
Consumer Staples	3.2%	-0.1%
Energy	8.0%	-2.4%
Financials	17.3%	-2.0%
Health Care	12.3%	0.6%
Industrials	16.4%	1.0%
Information Technology	17.4%	2.9%
Materials	6.5%	-0.3%
Telecom Services	1.2%	0.2%
Utilities	4.7%	0.1%

Portfolio Information	
Expense Ratio	0.13%
12b-1 Fee Included	-
Morningstar Average	1.44%
Minimum Investment	\$1,000,000
Avg. Annual Turnover	24%

Year-End Assets (\$ Mil.)	
2007	\$13,903
2006	\$12,993
2005	\$10,273
2004	\$6,247
2003	\$4,871
2002	\$2,943
2001	\$3,545

Small Cap Broad Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Hotchkis & Wiley Small Cap Value A

Ticker: HWSAX

Fund Strategy

Operating in the small capitalization value space, this manager seeks to find mis-priced stocks based on normalized earnings growth estimates over a full market cycle. Positions taken are for the long term and turnover is low. Managers like companies with high return of capital, a competitive advantage, and a favorable supply/ demand situation.

Manager Information

Lead Manager James B. Miles + Team
 Inception 10/6/2000
 Prospectus www.hwcm.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Hotchkis & Wiley Sml Cap Val	★	\$980	53	-9.0%	-19.0%	-19.0%	-2.7%	13.8%	9.0%
Russell 2000 Value Index				-7.3%	-9.8%	-9.8%	5.3%	15.8%	9.1%
Smal Cap Value MF Mean				-6.5%	-5.9%	-5.9%	4.9%	14.9%	9.1%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	14.66	1.41	-11.98	-0.40	10.32	12.77	1.37	0.13
5-Year	15.71	1.46	-2.61	0.70	10.44	13.76	1.38	0.91

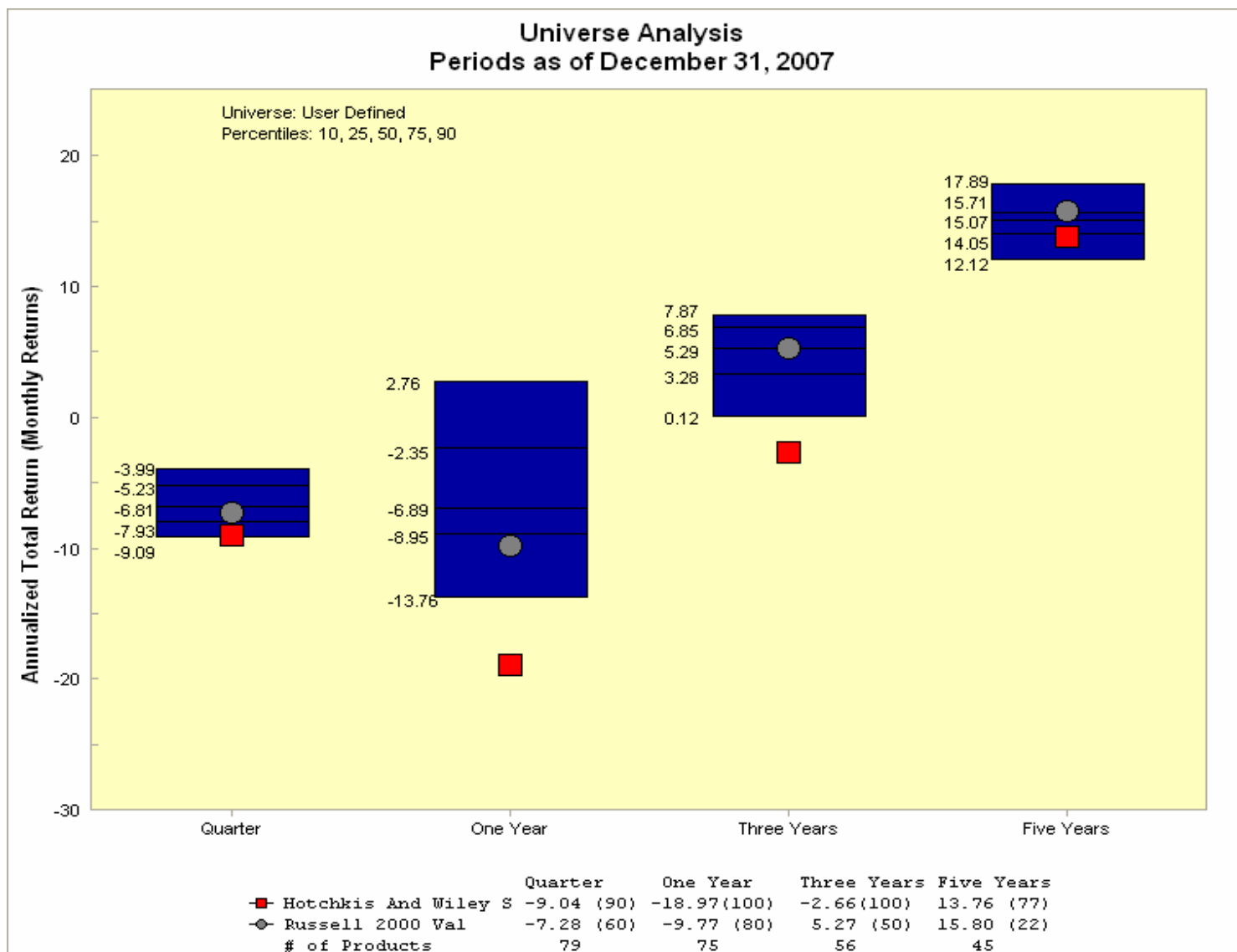
Top 10 Holdings 12-31-07	
Company	% of Portfolio
MI Developments Inc. A	5.27%
Hanover Insurance Group, Inc.	4.76%
M.D.C. Holdings, Inc.	4.60%
Great Plains Energy, Inc.	4.58%
Caplease, Inc.	4.16%
Lodgian, Inc.	4.12%
Ikon Office Solutions, Inc.	4.04%
Warnaco Group, Inc.	3.72%
Foundation Coal Holdings, Inc.	3.51%
Kelly Services, Inc. A	3.50%

Sector Weights 12-31-07		
versus Russell 2000 Value	%	+ / -
Consumer Discretionary	30.4%	19.0%
Consumer Staples	4.1%	0.2%
Energy	3.6%	-2.4%
Financials	27.3%	-4.5%
Health Care	0.0%	-6.1%
Industrials	25.0%	12.3%
Information Technology	2.0%	-11.2%
Materials	1.1%	-6.3%
Telecom Services	0.0%	-1.6%
Utilities	6.4%	0.5%

Portfolio Information	
Expense Ratio	1.26%
12b-1 Fee Included	0.25%
Morningstar Average	1.51%
Minimum Investment	closed
Avg. Annual Turnover	31%

Year-End Assets (\$ Mil.)	
2007	\$355
2006	\$660
2005	\$1,745
2004	\$1,574
2003	\$1,029
2002	\$271
2001	\$166

Small Cap Value Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



American Funds New Perspective Fund A

Ticker: ANWPX

Fund Strategy

This fund seeks capital appreciation by investing internationally in high quality companies that are temporarily out of favor and holding positions for the long term. Stock purchases are based on the manager's model for fair value.

Manager Information

Lead Manager Gregg E. Ireland + Team
 Inception 3/13/1973
 Prospectus www.americanfunds.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
American Funds New Perspective A	★★★★	\$58,373	351	0.0%	16.0%	16.0%	15.7%	19.3%	12.0%
MSCI World Index				-2.4%	9.0%	9.0%	12.7%	17.0%	7.0%
World Stock MF Mean				-1.8%	10.7%	10.7%	14.9%	19.2%	10.8%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	9.53	0.92	-0.08	1.14	3.71	8.21	-	0.99
5-Year	10.72	0.94	-0.90	1.42	3.66	9.20	-	1.42

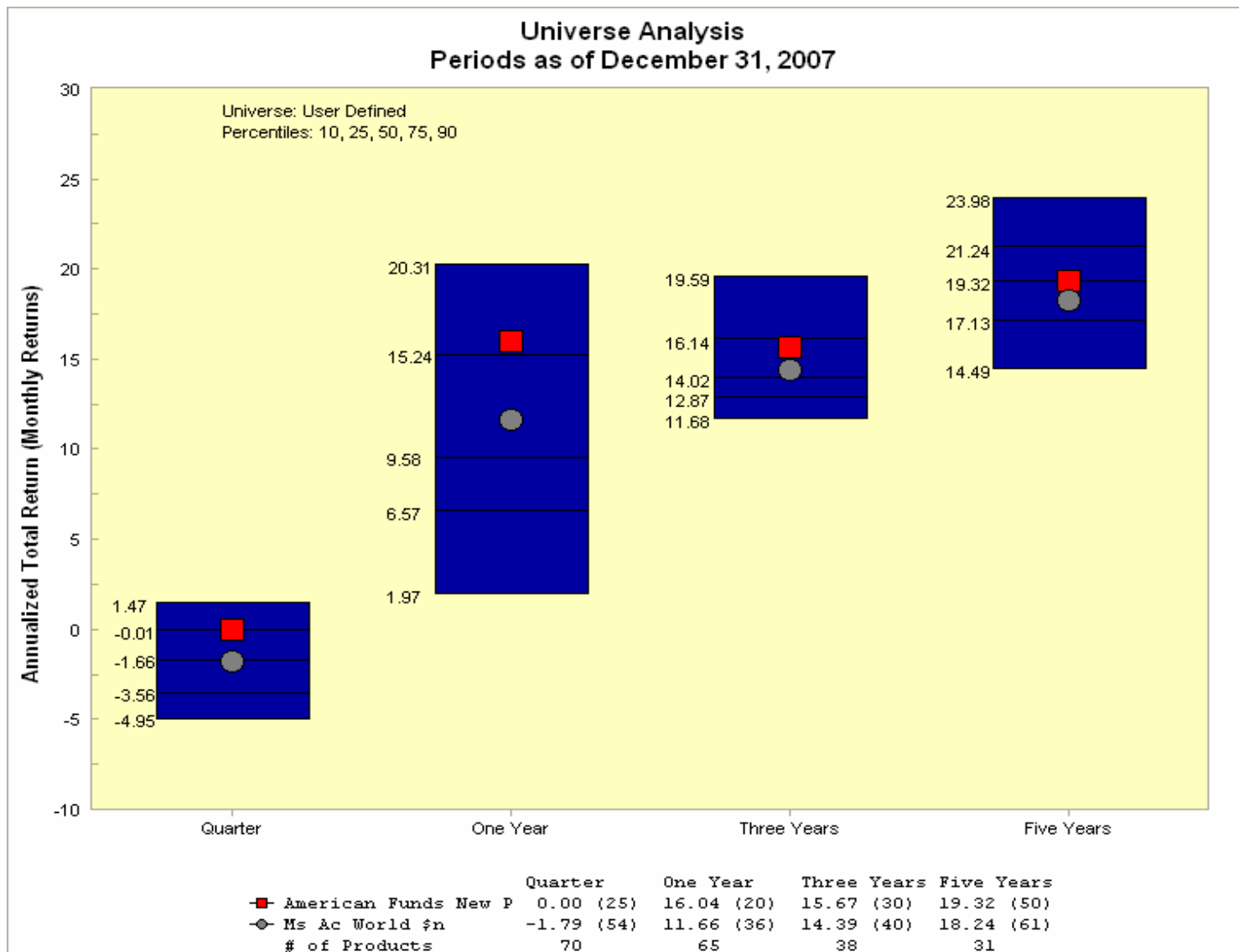
Top 10 Holdings 12-31-07	
Company	% of Portfolio
Microsoft Corporation	3.22%
Novo-Nordisk A S	1.72%
Bayer	1.61%
Vodafone Group	1.60%
Barrick Gold Corporation	1.55%
Cisco Systems, Inc.	1.49%
General Electric Company	1.49%
Brazilian Petroleum Corporation ADR	1.36%
Siemens	1.31%
Nokia	1.30%

Country Weights 12-31-07		
versus MSCI World	%	+ / -
Europe	42.8%	8.6%
France	8.1%	3.1%
Germany	7.2%	2.7%
United Kingdom	7.6%	-3.1%
Asia	15.8%	1.1%
Australia	2.1%	-1.0%
Hong Kong	1.3%	0.1%
Japan	6.3%	-3.4%
Latin America	3.6%	3.6%
Brazil	2.8%	2.8%
Chile	0.0%	0.0%
North America	37.8%	-13.3%
Canada	3.9%	-0.3%
United States	33.9%	-13.0%

Portfolio Information	
Expense Ratio	0.70%
12b-1 Fee Included	0.24%
Morningstar Average	1.59%
Minimum Investment	\$250
Avg. Annual Turnover	30%

Year-End Assets (\$ Mil.)	
2007	\$57,422
2006	\$53,451
2005	\$43,143
2004	\$34,596
2003	\$30,631
2002	\$23,638
2001	\$28,618

World Equity Universe



State of Montana 401(a) Defined Contribution Plan
December 31, 2007



Oakmark International I Ticker: **OAKIX**

Fund Strategy

The fund invests internationally in large capitalization value space and seeks to find stocks trading at a discount of at least 40% of intrinsic value. Typically, the manager holds fewer stocks than the benchmark and country and sector weightings differ significantly from the benchmark. The fund tolerates price volatility of its holdings. The fund does not hedge foreign currency exposure.

Manager Information

Lead Manager David G. Herro
Inception 9/30/1992
Prospectus www.oakmark.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Oakmark International I	★★★	\$23,382	52	-4.8%	-0.5%	-0.5%	14.0%	19.5%	11.9%
MSCI EAFE Index				-1.8%	11.2%	11.2%	16.8%	21.6%	8.7%
Non-US Equity MF Mean				-2.1%	12.2%	12.2%	18.1%	22.4%	10.6%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	8.74	0.80	-0.21	1.07	4.55	9.56	1.00	1.24
5-Year	11.35	0.97	-1.11	1.36	4.70	10.72	1.00	1.60

Top 10 Holdings 12-31-07	
Company	% of Portfolio
Credit Suisse Grp	4.53%
GlaxoSmithKline PLC	4.25%
UBS AG	3.92%
Daiwa Securities Grp	3.55%
Bayerische Motoren Werke	3.47%
Novartis	3.42%
ROHM	3.36%
Bank of Ireland	3.26%
Samsung Electronics, Ltd.	3.19%
Barclays	3.12%

Country Weights 12-31-07		
versus MSCI EAFE	%	+ / -
Europe	76.2%	6.2%
France	10.7%	0.5%
Germany	10.5%	1.2%
United Kingdom	30.3%	8.3%
Asia	21.4%	-8.6%
Australia	0.0%	-6.4%
Hong Kong	0.4%	-1.9%
Japan	14.2%	-5.6%
Latin America	1.7%	1.7%
Brazil	0.0%	0.0%
Chile	0.0%	0.0%
North America	0.7%	0.7%
Canada	0.4%	0.4%
United States	0.3%	0.3%

Portfolio Information	
Expense Ratio	1.05%
12b-1 Fee Included	-
Morningstar Average	1.40%
Minimum Investment	\$1,000
Avg. Annual Turnover	50%

Year-End Assets (\$ Mil.)	
2007	\$6,936
2006	\$8,598
2005	\$12,214
2004	\$11,879
2003	\$8,720
2002	\$4,462
2001	\$1,291

State of Montana 401(a) Defined Contribution Plan
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SSgA International Growth Opportunities Ticker: SINGX

Fund Strategy

This large capitalization, high quality, growth oriented fund seeks to find globally dominant companies and hold positions for the long term. The fund's country and sector weightings stay close to the MSCI EAFE Index, which puts it at a competitive disadvantage against other global managers who invest more in Latin America and emerging economies and less in Japan. Managers do not hedge foreign currency exposure.

Manager Information

Lead Manager Timothy Corbett + Team
Inception 4/30/1998
Prospectus www.statestreet.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
SSgA Int'l Growth Opp.	★ ★	\$34,742	65	-1.1%	10.5%	10.5%	16.3%	18.0%	-
MSCI EAFE Index				-1.8%	11.2%	11.2%	16.8%	21.6%	8.7%
Non-US Equity MF Mean				-2.1%	12.2%	12.2%	18.1%	22.4%	10.6%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	9.88	0.99	-0.36	1.15	2.81	9.56	1.00	1.24
5-Year	11.12	0.99	-2.86	1.27	3.22	10.72	1.00	1.60

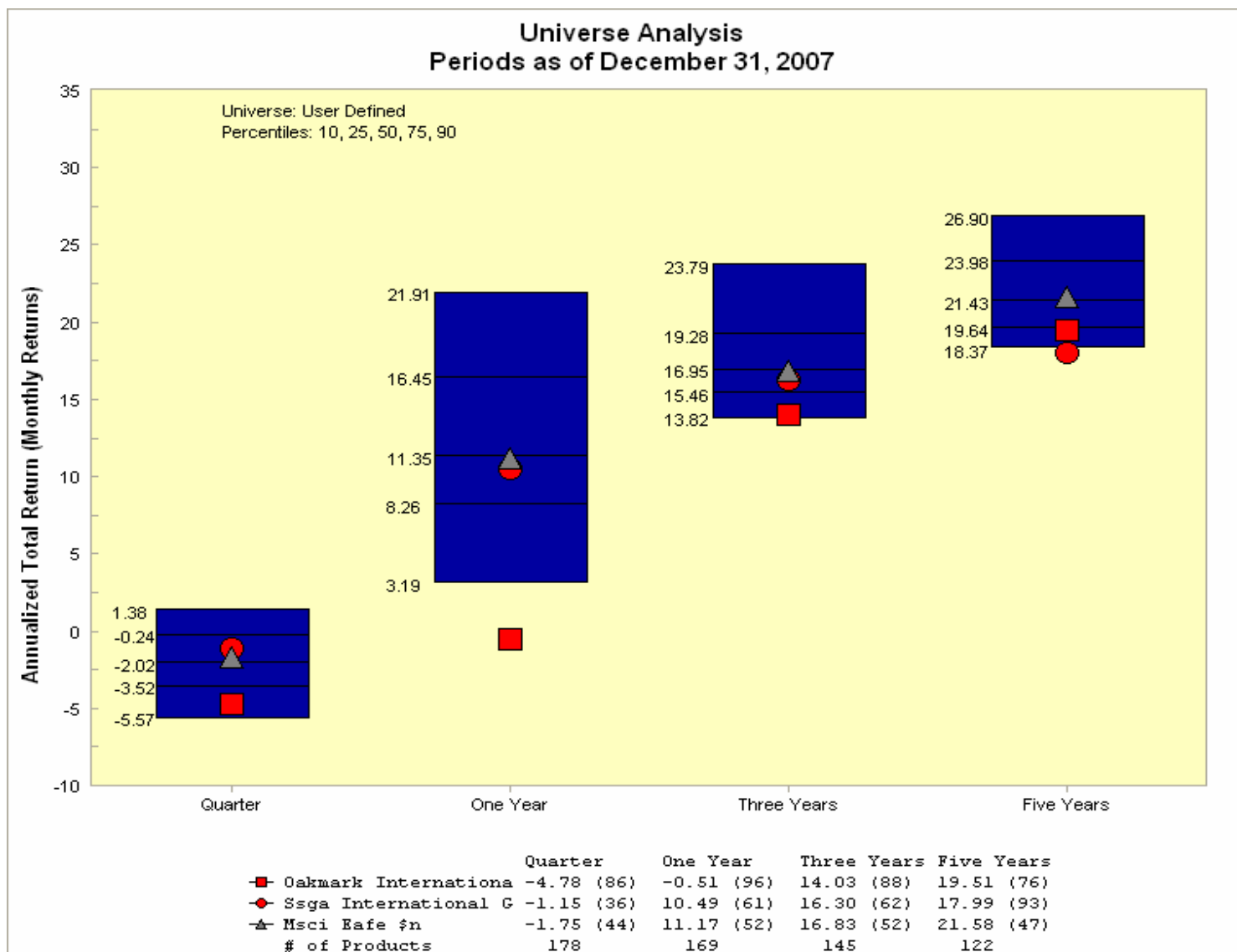
Top 10 Holdings 12-31-07	
Company	% of Portfolio
TOTAL	5.80%
Suez	3.72%
BP	3.12%
ABB Ltd	3.11%
Nestle	2.93%
Telenor	2.87%
HSBC Hldgs	2.85%
KOMATSU Ltd	2.73%
L'Oreal	2.52%
Banco Santander	2.50%

Country Weights 12-31-07		
versus MSCI EAFE	%	+ / -
Europe	70.8%	0.7%
France	17.6%	7.4%
Germany	6.6%	-2.6%
United Kingdom	14.3%	-7.7%
Asia	27.2%	-2.8%
Australia	1.6%	-4.9%
Hong Kong	2.1%	-0.2%
Japan	20.9%	1.1%
Latin America	0.0%	0.0%
Brazil	0.0%	0.0%
Chile	0.0%	0.0%
North America	2.1%	2.1%
Canada	0.0%	0.0%
United States	2.1%	2.1%

Portfolio Information	
Expense Ratio	1.10%
12b-1 Fee Included	0.14%
Morningstar Average	1.65%
Minimum Investment	\$1,000
Avg. Annual Turnover	74%

Year-End Assets (\$ Mil.)	
2007	\$20
2006	\$39
2005	\$54
2004	\$71
2003	\$68
2002	\$77
2001	\$103

International (Non-US) Equity Universe



ADR	American Depositary Receipt, a negotiable receipt for the shares of a foreign-based corporation held in trust by a U.S. bank that entitles a shareholder to all dividends and capital gains.
Alpha	Alpha is a statistical calculation based on a manager's beta and the rate of return of the index over the period. Alpha measures whether a manager has added value to or detracted from returns on a risk-adjusted basis. Alpha can be used when comparing dissimilar products because alpha is adjusted for risk and therefore the product with the highest alpha added the most historical value relative to its risk level.
Annualized Return	Rate of return of the account smoothed as though the return occurred equally over twelve-month periods. When the specified time frame is for less than a year, the rate of return is projected as though the same performance continues to occur for a twelve-month time period.
Assets Managed in Style	The total assets managed in all investment vehicles of the investment style.
Average Market Capitalization (\$ Wtd.)	The average market capitalization of all stocks in a given portfolio, weighted by each company's portion of the portfolio's market value.
Beta	A measure of volatility. A beta over 1.0 indicates above-market volatility; below 1.0, less volatility.
Book Value	The balance sheet value of assets minus the balance sheet value of liabilities. Also known as shareholders' equity.
Bottom-Up Investment Approach	The investment manager concentrates on fundamental analysis of a company's financial statements. In addition, an investment manager may examine other aspects of the company such as strength of management, new product lines, valuation, historic record, etc.
Cumulative Annualized Rate of Return	Funds appear in order of their absolute rate of return over a common time period, with the highest rate of return appearing first.
Cycle Analysis	The index, by definition, automatically has an Up-Cycle of 100. If a manager has an Up-Cycle number higher than 100, the manager has historically captured more than 100% of the rising market. If a manager has a Down-Cycle number of less than 100, the manager has historically captured less than 100% of the falling market.
Dividend	A payment issued by a company that distributes a portion of its value, usually in the form of cash.

Duration	The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, where maturity and duration are equal.
Earnings	Earnings are a company's accounting profits or losses, typically reported four times each year.
Emerging Markets	Countries whose economies are considered emerging or underdeveloped.
Fundamental	A company's underlying financial situation.
Growth Style Investing	Growth investors purchase companies that have above-average earnings growth
Hedging	A strategy designed to reduce risk by offsetting potential losses from existing investments. This practice is often used in international investing, where investment managers often use hedging techniques to reduce exposure to fluctuating currencies.
Investment Vehicle	The account type that an investor can gain access to an investment manager. Examples of investment vehicles are pooled or commingled funds, mutual funds, separate accounts, and limited partnerships.
Large Cap	Large Capitalization - refers to those companies with a market capitalization of greater than \$10 billion.
Liquidity	The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.
Market Capitalization	The dollar value of a public company based on the total number of shares of stock available multiplied by the price per share.
Median Market Capitalization (\$ Wtd.)	The market capitalization of the stock that represents the middle of the portfolio's cumulative market value. Half of the portfolio is invested in stocks larger than the median and the other half is invested in stocks smaller than the median.
Micro Cap	Micro Capitalization - refers to those companies with a market capitalization of less than \$500 million.
Mid Cap	Mid Capitalization - refers to those companies with a market capitalization between \$2 and \$10 billion.

Net of Fees	After subtraction of management fees.
Portfolio	Refers to the complete list of securities held in an investment vehicle.
Price-to-earnings (P/E) ratio	Calculated by dividing the current share price by the trailing twelve-months earnings per share.
Price-to-book (P/B) ratio	Calculated by dividing the share price by the book value per share.
Relative Rank	"Rank" reflects funds' performance within the full universe of comparable products, which includes similar investment styles and objectives. The rank reflects which percentile the manager's absolute rate of return falls within relative to its peer universe, with 1 = highest and 100 = lowest.
R-Squared (Coefficient of Determination)	A statistical measure of the degree to which the movements of two variables are related. An R-Squared closer to 1.0 indicates that the two variables tend to behave similarly or that by knowing one variable you can closely estimate the other variable.
Sharpe Ratio	A risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe Ratio is calculated for the past 36 month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns.
Small Cap	Small Capitalization - refers to those companies with a market capitalization between \$500 million and \$1.99 billion.
Standard Deviation	Measures the range of returns and is based on a Normal Curve. Managers with lower standard deviations than the index have historically had returns that tended to fall closer to their mean return compared to the index. Managers with higher standard deviations than the index have historically had returns that tended to be further dispersed around the mean than the index. This is another measure of volatility, but it does not distinguish downside performance from upside performance.
Top-Down Investment Approach	The investment manager concentrates on analyzing the economy and investment environment to identify attractive economic sectors for investment. In international investing, a top-down investment approach is often used to identify attractive countries or regions for investment.
Treynor Ratio	The Treynor ratio is the return premium earned over the risk free rate by the series for each unit of risk taken, with risk measured as the beta of the series or portfolio relative to the market.

Value Added	Based on alpha, value-added shows how much value a manager added, after adjustment for the amount of volatility (risk) that a manager has experienced. A value-added of 1.0 means a manager has added 1% to annualized returns.
Value Style Investing	Value investors rely on an examination of the underlying or unrealized value of a company as the primary criterion for deciding whether or not to buy a company's stock. Value stocks are often priced lower than growth stocks due to slower growth expectations, recent financial difficulty, or a host of other reasons.
Years	This evaluation is based on quarterly return observations from inception for all advisors and the corresponding index.